

**ANTICIPATED NOMINATION OF  
STEVEN TERNER MNUCHIN**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON FINANCE**  
**UNITED STATES SENATE**  
ONE HUNDRED FIFTEENTH CONGRESS  
FIRST SESSION  
ON THE  
ANTICIPATED NOMINATION OF  
STEVEN TERNER MNUCHIN TO BE SECRETARY OF THE TREASURY

JANUARY 19, 2017

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Printed for the use of the Committee on Finance

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U.S. GOVERNMENT PUBLISHING OFFICE

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**ANTICIPATED NOMINATION OF  
STEVEN TERNER MNUCHIN**

**THURSDAY, JANUARY 19, 2017**

U.S. SENATE,  
COMMITTEE ON FINANCE,  
*Washington, DC.*

The hearing was convened, pursuant to notice, at 10 a.m., in room SD-215, Dirksen Senate Office Building, Hon. Orrin G. Hatch (chairman of the committee) presiding.

Present: Senators Grassley, Crapo, Roberts, Enzi, Cornyn, Thune, Burr, Isakson, Portman, Toomey, Heller, Scott, Cassidy, Wyden, Stabenow, Cantwell, Nelson, Menendez, Carper, Cardin, Brown, Bennet, Casey, Warner, and McCaskill.

Also present: Republican Staff: Chris Campbell, Staff Director; Mark Prater, Deputy Staff Director and Chief Tax Counsel; Nicholas Wyatt, Tax and Nominations Professional Staff Member; Tony Coughlan, Tax Counsel; Preston Rutledge, Tax Counsel; Jeff Wrase, Chief Economist; and Lindsay Steward, Detailee. Democratic Staff: Joshua Sheinkman, Staff Director; Tiffany Smith, Chief Tax Counsel; Michael Evans, General Counsel; Daniel Goshorn, Investigative Counsel; Elizabeth Jurinka, Chief Health Advisor; Ian Nicholson, Investigator; and Jayme White, Chief Advisor for International Competitiveness and Innovation.

**OPENING STATEMENT OF HON. ORRIN G. HATCH, A U.S.  
SENATOR FROM UTAH, CHAIRMAN, COMMITTEE ON FINANCE**

The CHAIRMAN. The committee will come to order.

Welcome to everyone to this morning's hearing. We will discuss the nomination of Mr. Steven Mnuchin to serve as Secretary of Treasury for the incoming Trump administration.

And I want to officially welcome Mr. Mnuchin to the Finance Committee. I certainly appreciate your willingness to appear before us here today and to serve in this important position.

The position of Treasury Secretary is among the most important in the executive branch. The next Treasury Secretary will be asked a lot of questions that are going to be very, very important here today. We are going to be talking about advancing policies that will improve our Nation's economic and fiscal outlook.

This position oversees both the collection of taxes and the management of our debt. And in addition, as Congress works to reform our Nation's tax code and fix our broken health-care system, it is absolutely essential that we have a cooperative partner overseeing Treasury. That is, quite frankly, something that has been missing for the past 8 years as the Obama Treasury has become increas-

ingly opaque and nonresponsive to inquiries and communications from members of Congress.

So, as we consider Mr. Mnuchin's nomination, ensuring that both Congress and the incoming administration are committed to sharing information and communicating on policy will be among my top priorities. And in that regard, I believe the President-elect has selected a nominee who will provide a clear channel of communication and be willing to work with Congress on these all-important efforts.

We discussed, coming over here, that he is going to need to work very closely with members of this committee, and he has committed to do so.

Another priority for me will be the advancement of pro-growth trade policies. While USTR is the principal agency for international trade policy, Treasury plays a key role in several important areas, including the development of international investment agreements and oversight of Customs' revenue functions.

As the new administration comes in, I want to make sure, first and foremost, that our trade policies do no harm. Proposals to, for example, impose unilateral import tariffs as a key tool of international economic policy need to be carefully evaluated to ensure they do not hurt us at home.

In addition, I want to make sure that any new trade agreements establish the highest standards for U.S. stakeholders consistent with the Trade Promotion Authority statute enacted in 2015.

Finally, I expect you to engage in much better consultations with the committee regarding U.S. trade policies than we have had under President Obama.

I look forward to a productive conversation about these issues today and in the coming months. Objectively speaking, I do not believe anyone can reasonably argue that Mr. Mnuchin is unqualified for this position.

He has 3 decades of experience working in the financial sector in a wide variety of capacities. He has been a leader and a manager throughout his career, demonstrating an ability to make tough decisions and to be accountable. And he has a reputation of being a problem-solver and an excellent communicator. Indeed, we have heard from numerous organizations and associations in a wide variety of industries all expressing their admiration of Mr. Mnuchin and their support for his nomination.

Put simply, if the confirmation process focused mainly on the question of nominees' qualifications, there would be little, if any, opposition to Mr. Mnuchin's nomination. Unfortunately, that is not the world we are living in.

Today, we are in the midst of an unprecedented effort to stall and prevent confirmation on the Cabinet nominations of an incoming President. It is disappointing that we have taken this turn in the Senate where the minority openly and in so many words is committed to obstructing nominees to positions across the board, in many cases knowing full well that they cannot prevent the outright confirmation of nominees at all.

My colleagues sometimes are content to unfairly and, in some cases, maliciously malign, more or less, every nominee before they

can assume their post. I hope that is not true of our Senate Finance Committee members here today.

With regard to Mr. Mnuchin's nomination, we have seen quite a bit of consternation over the process and the timing of hearings. We have heard demands that we convene additional panels of witnesses, a step that has no precedent in the modern history of this committee. There was even a, quote, "mock hearing" on this nomination yesterday, held outside of the committee, focused on issues that are essentially unrelated to Mr. Mnuchin's qualifications.

Let me be clear. While my colleagues may believe that nominees in the incoming administration should be treated differently than those of any previous administration, on this committee we have followed the same vetting and hearing process that has been in place for decades and applied to both Republicans and Democrats alike.

With regard to the substantive arguments being made in opposition to Mr. Mnuchin, I am hesitant to go into too much detail before giving the nominee a chance to refute any accusations that have been made. That said, I do want to note a few simple facts.

First, no one has credibly alleged that any laws, regulations, or industry standards were violated by companies run by Mr. Mnuchin. On the contrary, speaking of the main set of allegations regarding the foreclosure practices of OneWest Bank, all independent evaluations of the company's actions have resulted in high marks. This includes reviews by the FDIC Inspector General and the Department of Treasury.

Second, any claims that Mr. Mnuchin's businesses contributed to the housing and foreclosure crisis that precipitated the financial collapse of 2008 are similarly lacking in merit. Mr. Mnuchin had no involvement in the mortgage market in the years leading up to the collapse. In fact, it is my understanding that after purchasing IndyMac and all of its toxic mortgage assets, Mr. Mnuchin's company offered loan modifications to the vast majority of its delinquent borrowers and was one of the very first institutions to make offers to forgive portions of loan principal balances in order to reduce foreclosures.

To that point, Mr. Mnuchin is joined by a guest today, Ms. Faith Bautista, president and CEO of the National Asian American Coalition and head of the National Diversity Coalition. In those capacities, she worked with many homeowners to work out loan modifications with OneWest Bank. She is here today to support Mr. Mnuchin's nomination.

Finally, I will just note that those making claims that Mr. Mnuchin's connection to the mortgage and banking industry is, on its own, disqualifying, are conveniently forgetting that the current Treasury Secretary's tenure at a major Wall Street bank included overseeing business units that were sanctioned by the SEC and others for practices that harmed innocent investors. Yet when his nomination came before the Senate, this connection to Wall Street and the financial crisis was deemed forgivable.

Like I said, I will let Mr. Mnuchin defend himself from the specious lines of attack, which, given the lack of credibility in the accusations, should not be too difficult for a man of his talents.

For now, I simply hope that we can have a fair and open discussion during the committee hearing this morning and during the course of what will likely be a long hearing.

And I hope that, going forward, my colleagues will apply the same standards, both in terms of process and policy substance, that have applied to nominees in previous administrations, including theirs.

Once again, I want to thank Mr. Mnuchin for being here today. I look forward to hearing his testimony and look forward to seeing what my colleagues have in mind with regard to their questions of him.

With that, I will turn to my ranking member, Senator Wyden, for his opening remarks.

[The prepared statement of Chairman Hatch appears in the appendix.]

**OPENING STATEMENT OF HON. RON WYDEN,  
A U.S. SENATOR FROM OREGON**

Senator WYDEN. Thank you very much, Mr. Chairman.

And welcome to you, Mr. Mnuchin.

This is our first hearing in the 115th Congress, so there is a bit of housekeeping.

First, congratulations to my friend, Senator Hatch, on his selection to continue leading the committee on behalf of the majority.

I also want to welcome our two new members, Senator McCaskill and Senator Cassidy. We are lucky to have you both.

Now to the business at hand. Aside from the President, there may be no individual with a tighter grasp on the levers of our economy than the Secretary of Treasury. That has been true since the days of Alexander Hamilton. When you read about the nominee for Treasury Secretary, given all the power that this position holds, you hope not to see phrases like “foreclosure machine,” “redlining,” “offshore funds,” and “predatory lending.”

I am sure today’s hearing is going to cover a wide range of matters, whether it is Mr. Mnuchin’s background and qualifications or the incoming administration’s policy agenda. I am going to begin with a topic that cuts across all of these matters, the truly disgusting inequity and abuse of America’s tax laws.

The tax code today is a tale of two systems. For wage earners, like cops and nurses, there are not any special tax dodges. The rules that apply to them are firm and involuntary. Once or twice a month, their taxes come right out of their paychecks, not cutting corners.

The rules are different for the powerful and the well-connected. They have armies of lawyers and accountants at their disposal. With the right advice, the most fortunate individuals in our country can decide for themselves how much tax to pay and when to pay it. So let us look at Mr. Mnuchin’s history.

There is no clearer example than Mr. Mnuchin’s hedge fund setting up outposts in Anguilla and the Cayman Islands, an action that can be explained only by the island’s 0-percent tax rate. It certainly was not for ease of commute or for the infrastructure.



In Mr. Mnuchin's case, millions of dollars in profits from Hollywood exports, like the movie "Avatar," were funneled to an offshore web of entities and investors.

When Mr. Mnuchin's bank was up for a merger that had the potential to deliver a huge financial gain, a foundation he chaired reportedly used tax-exempt dollars to fund an astroturfing campaign pushing for the deal's approval. In the public comment period of a potential merger, that is the equivalent of stuffing the ballot box.

Mr. Mnuchin operates seven personal trusts, including one known as a "dynasty trust" that will shield tens of millions of dollars from taxes. In my view, if you look at our history, our Nation wanted to reward merit, not to perpetuate dynasties.

Now, as a nominee for a Cabinet position, Mr. Mnuchin could be in line for a special elective Federal tax deferral on money made by selling stocks and bonds. This is the very definition of getting to pay what you want when you want.

Now, there is a common answer when these kinds of tax tricks come under a spotlight. It is said that people who use them are just following the laws on the books, and that might be true. The outrage in tax law is what is legal and that every member of the Senate has allowed it to stay legal. In my view, this outrage is going to change only when taxpayers are no longer divided into two very different sets of tax rules.

Now, this provides a segue to the important policy questions. Setting aside Mr. Mnuchin's finances and background, the tax reform agenda already being advanced by the President-elect would perpetuate and, in fact, worsen the unfairness in the tax code.

On the campaign trail, the President-elect delivered lots of tough talk about fixing the tax system. He said he alone could fix it, because he had spent a career using the system to his advantage. As for the details, the few position papers that were put forward did not get a whole lot of attention outside the business pages. But after Mr. Mnuchin's nomination was announced, he laid down a clear and specific marker. So I will quote Mr. Mnuchin directly: "Any reductions we have in upper-income taxes would be offset by less deductions, so there would be no absolute tax cut for the upper class." Let me repeat that, and for the sake of brevity I am going to start calling it the Mnuchin Rule: "No absolute tax cut for the upper class."

So let us take stock of what is already happening on Capitol Hill. The first major act of the unified Republican government, repealing the Affordable Care Act, would immediately violate the pledge of no tax cuts for the wealthy. Bottom line, the ACA repeal scheme that was kicked off last week is a Trojan horse of tax breaks for the most fortunate. It is paid for by taking tax benefits for health insurance away from millions of working people.

Then it is back for round two under an emerging Republican plan to fast-track an even bigger tax break for the wealthy. In my view, this is proof that the campaign promises about fixing the tax system were pretty much a head fake.

For example, the President-elect said he would close the carried interest loophole. It is a favorite of investment fund managers, but his plan actually gives them a 25-percent tax cut. In fact, it slashes tax rates for corporations and the wealthy across the board at a

cost of trillions of dollars, so it sounds to me like the Mnuchin Rule is already on the ropes.

Now, what would the new administration's tax plan do for people of more modest incomes? Millions of working parents, mostly single, would get hit with tax increases because they lose head-of-household status when they file. If you wanted to write a tax plan that would push even more working-class folks out of the economic winner's circle, that is how you would do it.

Now, given how central tax policy is to our jurisdiction, I hope the committee is able to discuss those issues today. But, of course, the Treasury Secretary and this committee handle a lot more than taxes, so there are other issues to raise.

On a broad level, it is my view that Senators need to make a judgment call about what sort of person they want to head the Treasury Department. Mr. Mnuchin's career began in trading financial products that helped to bring on the housing crash and the Great Recession. After nearly 2 decades at Goldman Sachs, he left in 2002 and joined a hedge fund. In 2004, he spun off a hedge fund of his own, Dune Capital. It was only a few lackluster years before Dune began to wind down its investments in 2008.

In early 2009, Mr. Mnuchin led a group of investors that purchased a bank called IndyMac, and they renamed it OneWest. Colleagues, OneWest was truly unique. While Mr. Mnuchin was CEO, the bank proved it could put more vulnerable people on the street faster than just about anybody else around.

While Mr. Mnuchin was CEO, a OneWest vice president admitted in a court proceeding to robo-signing upwards of 750 disclosure documents a week. She spent less than 30 seconds on each. And in fact, she shortened her signature to speed the process along.

Investigations found that the bank frequently mishandled documents and skipped over reviewing them. All it took to plunge families into the nightmare of potentially losing their home was 30 seconds of sloppy paperwork and a few haphazard signatures.

These tactics were in use between 2009 and 2014, a period during which the bank foreclosed on more than 35,000 homes. "Widow foreclosures" on reverse mortgages—OneWest did more of those than anybody else.

Now, the bank defends its record on loan modifications, but it was found guilty of an illegal practice known as "dual tracking." One bank department tells homeowners to stop making payments so they can pursue modification, while another department presses on and hurdles those folks into foreclosure.

OneWest made only two loans to African-American borrowers in 2014 and 2015 according to an analysis by the California Reinvestment Coalition. Just a fraction of its branches occupied storefronts in minority communities; none were in predominantly African-American communities, but minorities still represented a disproportionately large share of the people who were booted out of their homes.

Under Mr. Mnuchin, OneWest churned out foreclosures like Chinese factories churned out Trump suits and ties.

And with the combination of extreme foreclosure tactics and a bailout from the FDIC, OneWest became a rainmaker for Mr. Mnuchin and his fellow investors. At precisely the same time the

foreclosure machine was running, OneWest funds were poured into glamorous investments in Hollywood.

In 2012, OneWest struck an agreement to loan hundreds of millions of dollars to a movie studio called Relativity Media. In 2014, while he was CEO of OneWest's holding company, Mr. Mnuchin bought his own stake in Relativity. He took a seat in the boardroom, was appointed co-chairman; he even bought a private jet with Relativity's co-founder. But the company quickly tanked.

OneWest pulled out \$50 million, emptying several Relativity accounts, including one earmarked for building expenses that expanded wages for contractors and tradesmen.

Mr. Mnuchin bailed out just before the studio declared bankruptcy. There have been press reports that the FBI has denied a Freedom of Information Act request concerning Relativity Media on the grounds that disclosure is likely to interfere with a pending law enforcement proceeding.

I have read the FBI background report on Mr. Mnuchin, and I saw no discussion of any such enforcement action in the report. That may be entirely appropriate.

Mr. Chairman, I want to continue to work with you to find out what the enforcement proceeding cited in the Freedom of Information Act denial is and how it relates to the nominee, if it does at all.

For Mr. Mnuchin, Relativity Media's failure was not much of a setback considering the profits that OneWest's foreclosure machine was still pulling in. The purchase price of the bank was less than \$1.6 billion. After 5 years of foreclosures and profits, it sold for \$3.4 billion to CIT Group.

Now, outside OneWest and Relativity, Mr. Mnuchin spent years as a director of the holding company for Sears, obviously an iconic American brand. He served on the committee that watchdogged the employee pension fund. The record shows that that plan was routinely mismanaged and underfunded. Retirees saw their pensions cut, losing a monthly health-care stipend that was enough to offset roughly a third of the premiums the seniors pay for Medicare Part B.

Sears also shuttered hundreds of stores nationwide over the last few years and recently announced another round of closures. Once again showing a truly impressive capacity to advantage himself while others fell behind, Mr. Mnuchin joined a small group of investors that spun off the company's real estate into a separate trust. It was arguably the most valuable asset Sears had left. So as retirees watched their pensions shrink and Sears' remaining workers worried about an uncertain future, this small number of powerful individuals made out just fine.

Now, I am going to wrap up, and I just want to step back for a moment to talk about the role of the Secretary of the Treasury. This is the person who is going to have enormous influence over Americans' paychecks and mortgages, the caliber of job opportunities they face, the safety and stability of the financial system that holds and invests their hard-earned money, and much more.

This is a position that has the power to help reverse decades of yawning inequality that has hollowed out the middle class, dimmed the hopes of so many young people, and left millions buried in debt.

The Treasury Secretary ought to be somebody who works on behalf of all Americans, including those who still wait for the economic recovery to show up in their communities.

When I look at Mr. Mnuchin's background, it is a real stretch to find hard evidence that he would be that kind of Treasury Secretary.

Now, just finally, Mr. Chairman, one other bit of housekeeping. And I want to make it very clear that Democrats have in no way been obstructing Mr. Mnuchin's confirmation. We are doing our jobs to truly vet this nominee. We are, in fact, colleagues, doing it as we have been doing it for almost 20 years on a bipartisan basis. And if you have any questions about the fairness of it, ask Tim Geithner about what it was like in 2009.

And I want to point out that at your request, Mr. Chairman, I agreed to shorten the normal 1-week notice period to the public so that Mr. Mnuchin's hearing could be held today.

Ultimately, nomination hearings are about hearing what the nominee is for. So, Mr. Mnuchin, that is what today is all about. We look forward to your testimony.

I note also we have a couple members of the House here, and we want to welcome them as well.

The CHAIRMAN. Well, thank you, Senator.

[The prepared statement of Senator Wyden appears in the appendix.]

The CHAIRMAN. We are pleased to welcome two of our distinguished colleagues from the House of Representatives. First we will hear from Representative Kevin McCarthy, the House majority leader, then we will hear from Representative Jeb Hensarling, chairman of the House Financial Services Committee.

So, Leader McCarthy, please feel free to proceed with your introduction, and then we will go to Mr. Hensarling and then we will go to the nominee.

**STATEMENT OF HON. KEVIN McCARTHY,  
A U.S. CONGRESSMAN FROM CALIFORNIA**

Representative MCCARTHY. Well, Chairman Hatch, Ranking Member Wyden, and the members of the committee, I am proud to be here today to introduce an extremely capable investor, banker, financier, and a fellow Californian, Steve Mnuchin, the nominee to be the next Secretary of the Treasury for the United States.

The Secretary of the Treasury is a distinguished office, once held by luminaries of our history, from Alexander Hamilton to Andrew Mellon. It is an office that requires deep technical skill, strategic vision, and uncommon instincts, all qualities that Steven possesses and has demonstrated in the private sector.

With decades of experience in banks, financial firms, and even movie production, he has a history of growing returns and achieving financial stability for his clients and shareholders.

I think it says a lot about this man that he would leave such a successful career to apply his talents for the benefit of the American people as a whole. Steven is a patriot and an independent thinker, and America is in great need of such capable leaders. I believe our Nation is enriched when we have people serving in government who have spent their life serving outside of government.

I know Steven shares with us here in Congress two fundamental priorities: to enable an economy that creates meaningful and good-paying American jobs, and to improve economic security for the American people.

He understands that government does not create jobs, but government can create the structure and incentive for broad economic growth that benefits all at the expense of none. To do this, we have to rethink the way our country taxes, regulates, and trades.

He shares with Congress the goal of a pro-growth tax plan that makes tax rates fairer and encourages businesses to hire workers here in America. He knows firsthand the devastating impact of irresponsible financial regulations that stifle national and local lenders alike, impede small-business creation, and drag down job creation. And he will work with President Trump and Congress to promote a trade policy that benefits American workers and consumers.

But if broad economic growth for the American people is our top goal, it is not our only goal. Prosperity means little if it can all be lost in another financial crisis. The American people must have the complete assurance that their government is doing everything within its power to make sure the financial crisis that happened in 2007 and 2008 never happens again.

As Secretary of Treasury, Steven will work to defend the integrity of the American people's retirement accounts, will fight for the creation of not just good-paying jobs, but secure jobs, and will work for economic stability so that people's investments in their homes and elsewhere are secure.

So I thank you, Chairman Hatch, Ranking Member Wyden, and the entire committee, for this opportunity to introduce you to Steven Mnuchin.

I hope the committee and the Senate as a whole will give thoughtful consideration to this accomplished and qualified nominee for the Secretary of Treasury.

The CHAIRMAN. Well, thanks, Leader McCarthy. We appreciate having you here, and we appreciate the hard work you do over in the House.

Let's go to Congressman Hensarling.

**STATEMENT OF HON. JEB HENSARLING,  
A U.S. CONGRESSMAN FROM TEXAS**

Representative HENSARLING. Chairman Hatch, Ranking Member Wyden, and distinguished members of the committee, it is an honor to appear before you today to speak in support of Steven Mnuchin's confirmation as Secretary of the Treasury.

President-elect Trump has outlined a bold and forward-looking agenda to tackle the very serious problems that face hardworking American families, families who have seen their paychecks stagnate, their savings shrink, and their dreams diminished.

To implement this agenda, the President-elect has chosen a roster of very impressive citizens to serve in his Cabinet. Each of these individuals has achieved incredible success in their chosen field and are among the Nation's most respected leaders in business, in the military, and in public service. Each one of them is clearly committed to the President-elect's vision of an America that is stronger, safer, more prosperous, and teeming with opportunity,

and an America where Washington is truly accountable to We, the People.

It is the most impressive and qualified list of Cabinet nominees in memory. And I believe President-elect Trump was right to include Steven Mnuchin in this select list.

As we confront America's economic challenges together, Mr. Mnuchin's very successful background in investment banking, retail banking, and business will not only be vital to the incoming administration, but to those of us who serve in Congress as well. He understands the urgent need to increase jobs, incomes, and opportunity, and has the critical experience necessary to help do just that.

He knows all too well that this economy simply is not working for working Americans. Nearly 8 years after the last recession ended, Americans are still stuck in the slowest recovery in generations; 301,000 manufacturing jobs disappeared in the last 8 years.

To get our economy back on track with sustained growth and higher incomes, Mr. Mnuchin knows Washington must give all Americans more freedom, the freedom to save, the freedom to invest, the freedom to innovate, so they can dream big and pursue those dreams. I have no doubt Mr. Mnuchin is ready and capable to hit the ground running and work as a partner with Congress on President-elect Trump's pro-growth, pro-jobs agenda.

I have had the opportunity to meet and speak with Mr. Mnuchin on several occasions about the Trump administration's plans for fundamental pro-growth tax reform, for banking and capital markets reforms that work for all, and other vital items on the President-elect's agenda. I am deeply impressed by his knowledge, his talent, and his commitment to work with Congress on these priorities.

The Secretary of Treasury's responsibilities are formidable, as we all know. As you may know, Albert Gallatin, who served as Treasury Secretary for Presidents Thomas Jefferson and James Madison, once said, quote, "The place of the Secretary of Treasury is more laborious and responsible than any other."

I have every confidence that Steven Mnuchin is up to the job. But far more importantly, the man who will be our President in a little more than 24 hours has every confidence that Steven Mnuchin is up to the job.

The American people have now entrusted President-elect Trump with the Oval Office. The election is over and should not be relitigated now. That both disserves and disrespects the American people. With the advice and consent of the Senate, the President-elect should be able to surround himself with honorable, accomplished, and talented men and women of his choosing to serve in his Cabinet. In this vein, he has wisely chosen Steven Mnuchin for the position of Treasury Secretary.

Now as the Senate fulfills its constitutional duty to advise and consent, I do not offer advice since, as a House member, I am not all that fond of receiving your advice. [Laughter.]

But I do remain hopeful that in the finest traditions of this body, the questioning of Mr. Mnuchin will be fair and focused on his experience and his ability to fulfill the duties of Treasury Secretary and to carry out the President-elect's agenda. I ask you to recognize

the impressive qualifications he brings to the office and confirm him without delay.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, thank you, Mr. Hensarling. We appreciate both of you coming. We know you are really busy over in the House of Representatives, but to come here and testify for Mr. Mnuchin, I am sure he appreciates it, as do all of us.

Senator Roberts has to leave, so he is going to take less than 2 minutes. And I am going to turn to him before I start asking any questions.

Senator Roberts?

Senator ROBERTS. Thank you, Mr. Chairman. I will try to wrap this up very quickly.

Mr. Mnuchin, if you are confirmed, will you pledge to work with this committee to implement systems, controls, and procedures to make sure the tax collection agency of the Federal Government can never again be used as a weapon against any political opponents of any presidential administration?

Mr. MNUCHIN. Yes, Senator, I absolutely pledge to do that.

Senator ROBERTS. I have quite a few pass-through companies in Kansas that are very interested with regards to your views on tax reform. We could probably talk about that later in the interest of time.

And then I just have an observation. I think that to date—Mike, what have you done with my—here it is.

Senator WYDEN, I have a Valium pill here that you might want to take before the second round. Just a suggestion, sir.

Senator WYDEN. Just another suggestion: we have a lot of colleagues waiting; if you could be brief, it would be helpful.

Senator ROBERTS. I am going to be very brief.

Mr. Mnuchin, from the distinguished ranking member's remarks, I understand you were in charge of the Great Recession—

Senator BROWN. Mr. Chairman, Mr. Chairman, I hope that that comment about Valium does not set the tone for 2017 and this committee. I like Senator Roberts, but I just cannot quite believe that he would say that to the distinguished Senator from Oregon.

Senator ROBERTS. I said that to the President of the United States at one point.

Senator BROWN. Perhaps you did.

Senator ROBERTS. Yes.

Senator BROWN. But I would hope that that does not set the tone for this session.

The CHAIRMAN. All right, all right.

[Cross talk.]

Senator BROWN. Mr. Chairman, Mr. Chairman, I sit on the Agriculture Committee—

The CHAIRMAN. Order! Order!

Senator ROBERTS. I have the time, please.

Senator BROWN [continuing]. And the relationship we are building is so different from that. I mean, this is just outrageous.

Senator ROBERTS. I have the time, please.

The CHAIRMAN. Listen, you—

Senator ROBERTS. I do not know about outrageous, but I think just a little pinprick of humor might help this committee from time

to time, which I engage in. And I appreciate the gentleman's contribution with regards to the Agriculture Committee. And he is a good member of the committee. We work together on the Ethics Committee. So I am sorry if I have, you know, incurred your wrath, sir. So we will be all right.

The CHAIRMAN. Well, let us start—

Senator ROBERTS. All right. The pass-through things on tax reform—

Senator WYDEN. Mr. Chairman, we have many colleagues waiting—

Senator ROBERTS. Fine, Ron. I am done. Thank you.

The CHAIRMAN. All right. Mr. Mnuchin, we will take your statement at this point.

**STATEMENT OF STEVEN TERNER MNUCHIN, SECRETARY-DESIGNATE, DEPARTMENT OF THE TREASURY, WASHINGTON, DC**

Mr. MNUCHIN. Thank you very much. Chairman Hatch, Ranking Member Wyden, and members of the committee, it is an honor to appear before you today. I am grateful and humbled by President-elect Trump nominating me to serve as Secretary of the Treasury. It is truly an honor and a privilege to be considered for this position.

Thank you to all the members I have already had an opportunity to meet with during this process. I enjoyed meeting with you and learning more about the issues that are important to you. For those few members whom I did not get a chance to meet with, if confirmed, I look forward to meeting with you as well.

I would like to thank Chairman Hatch and his staff for taking so much time to work with me and support me through this process. In addition, I would like to introduce my fiancé, Louise Linton, and my children, Emma, J.P., and Dylan, who are here with me today, and thank them for their unwavering support.

I would also like to introduce my brother, Alan Mnuchin, and his wife, Alessandra, and my father, Robert Mnuchin, who has always supported me and taught me that hard work, determination, and the ability to bring people together can make anything possible.

I would like to acknowledge my late mother, Elaine Turner Cooper, who was an inspiration to me. I would also like to acknowledge my grandparents, Emanuel and Mathilda Turner, who were also a tremendous influence in my life.

My grandfather was a first-generation American whose father emigrated from Europe. He truly embodied the American dream. He started out blowing glass bottles by hand and later built Midland Glass into one of the largest glass manufacturing companies in the United States, with five factories employing thousands of workers. My first job ever was in his factory when I was in high school. It was there that I first learned the importance of humility, hard work, and commitment.

For those of you who do not know my background, I studied economics at Yale University. At the age of 22, after graduating from Yale, I got a job at Goldman Sachs, where I spent the next 17 years. I started on a folding chair in the mortgage department.



Nine years later, after many sleepless nights, I was put in charge of mortgages, U.S. Government bonds, and municipal securities.

Several years after that, I worked directly for future Secretary of the Treasury Hank Paulson as the firm's chief information officer. In that role, I oversaw 5,000 people and a \$1-billion budget.

While at Goldman Sachs, I learned the importance of the financial markets in providing liquidity and capital to businesses, governments, and consumers. A few years later, I decided to leave Goldman Sachs to build an investment business. After working briefly at ESL Investments, I started my own investment business, Dune Capital Management.

Throughout my career, my commitment was to my clients and shareholders, for whom I worked tirelessly to get the best results. Thirty years later, my commitment is now to the American people, for whom I will work tirelessly by helping to grow our economy and create jobs.

I am eager to share with you why I believe I will serve well as America's next Secretary of the Treasury. But first I want to correct the record about my involvement with IndyMac Bank.

Since I was first nominated to serve as Treasury Secretary, I have been maligned for taking advantage of others' hardship in order to earn a buck. Nothing could be further than the truth.

During the summer of 2008, I saw the devastation that was caused by the housing crisis when I watched people line up to get their life savings out of IndyMac Bank. It was the middle of the financial crisis and, despite the global panic, I saw a way to save the bank. I applied for a banking charter and submitted a bid to the FDIC for IndyMac. On December 31st, just before midnight, we signed a binding agreement with the FDIC. They later confirmed that our bid was almost \$1 billion higher than the next best bid.

We were willing to invest \$1.6 billion into the most costly bank failure ever to the FDIC deposit fund. We did this because we believed in our ability to rebuild and create a successful regional bank. We believed in recovery for the American economy.

Let me be clear: my group had nothing to do with the creation of the risky loans in the IndyMac loan portfolios. When we bought the bank, we assumed these bad loans, which had been originated by previous management. Some of those individuals had to answer to Federal authorities for their bad lending decisions.

We invested \$1.6 billion into a failing financial institution when most investors were running for the hills. We renamed the business OneWest Bank and saved thousands of jobs. We developed a prospering community banking franchise in southern California as most banks were pulling back. Over the next 2 years, we bought two more struggling banks from the FDIC: First Federal of Santa Monica and LaJolla Bank, both through competitive bidding. Combined, we had over 70 branches and built a robust lending business, especially for small and medium-sized businesses.

As chairman of the bank, I met with hundreds of business people from all walks of life who were seeking loans to grow their businesses and prosper. Like many banks at the time, IndyMac, and its reverse mortgage division, Financial Freedom, was unstable due to the large amount of distressed credit mortgages in its portfolios. When we bought IndyMac, these "legacy loans" were included in

the purchase. The responsibility landed on me to clean up the mess others made that we inherited.

We worked very hard to help homeowners remain in their homes through modifications, wherever possible. Ultimately, OneWest extended over 100,000 loan modifications to delinquent borrowers to try to help them out of a bad situation.

I am proud of the fact that loan modifications started at IndyMac under the leadership of the FDIC. However, the FDIC loan modification program did not work for everyone. When the FDIC took over IndyMac, they estimated that more than half the foreclosures would not meet their test for a loan modification. And they demanded many policy conditions: extend assistance to sympathetic borrowers by establishing affordable and sustainable payments by borrowers, increase the net present value of cash flows to the owner of the loan, and stabilize housing markets. My group had to adhere to servicing agreements that limited our ability to make loan modifications that could have helped more borrowers.

In the press it has been said that I ran a “foreclosure machine.” This is not an accurate description of my role at OneWest Bank. On the contrary, I was committed to loan modifications intended to stop foreclosures. I ran a “loan modification machine.” When we could do loan modifications, we did them, but many times the FDIC, Fannie Mae, Freddie Mac, and bank trustees imposed strict rules governing the process of these loans.

I am proud to be able to say that our bank was able to do over 100,000 loans modifications that allowed people the opportunity to stay in their homes. Unfortunately, not all of the homes were able to be saved through these programs, and despite my best efforts, some were sadly subject to foreclosure.

So sincere was my concern over this that in 2010 I instructed my lawyers to sue HSBC, as trustee of the securitized loans, to allow us to do loan modifications on loans in mortgage trusts they oversaw. We won on summary judgment and were consequently allowed to do more loan modifications and keep more Americans in their homes.

Similarly, in 2015, when HUD issued Mortgagee Letter 2015-11, I wrote HUD and asked them to change the policy so we did not have to foreclose on senior citizens who were behind small amounts of money on taxes and insurance. I was so troubled by this that I discussed it with our primary regulator, the Office of the Comptroller of the Currency. Unfortunately, HUD did not agree, and we were forced to foreclose on senior citizens, even if they only owed \$1. Not complying with these HUD policies would have subjected the bank to penalties and losses from HUD.

Despite our inability to save every home from foreclosure, I am proud of the fact that OneWest Bank was the only one of 14 banks that was able to complete the independent foreclosure review that was conducted by the OCC. Every one of the 175,000 borrowers who were in the foreclosure process during 2009 and 2010 were able to have an independent review of their loan. We had a very low error rate, and independent government reviews routinely showed that we had the most effective loan modifications of any bank.

If we had not bought IndyMac Bank, the bank would likely have been broken up and sold in pieces to private investors, where the outcome for consumers could have been much more bleak. Overall, I helped many homeowners stay in their homes and escape financial ruin through my management of OneWest Bank.

My experience confirmed that we must identify and eliminate unwise and burdensome policies which contributed to the disastrous outcomes that came in the wake of the financial collapse.

Many Americans are still suffering from the disastrous ripple effects the 2008 crisis had on our Nation. Faithfully ensuring this does not happen again means supporting careful oversight of a financial system which prioritizes the needs of everyday Americans over the wishes of financial institutions or the Federal Government.

I felt great empathy for the millions of hardworking American families who lost their homes because the system failed them. If confirmed as Treasury Secretary, I will work diligently and compassionately for the American people so that we never endure anything like the meltdown of 2008 ever again.

I was deeply honored when Donald Trump asked me to join his campaign as Finance Chairman. I had the opportunity to travel with him and hear firsthand from hardworking Americans about their concerns for the American economy. Over the last year, I visited over 50 cities in 26 States.

I remember attending my first rally with him in Indianapolis. It was an unforgettable experience. As we arrived into the stadium packed with 20,000 people, I saw the excitement that people had for a Trump presidency.

On our trip to Flint, MI, I went with the President-elect to visit the water treatment facilities and saw firsthand the crumbling pipes and the devastation caused by that lead-tainted water. We met with water engineers and saw the impact it had on that community and the families that live there.

Across the country on my travels with the President-elect, we heard the pained and heartbreaking stories of Americans who had lost their jobs to workers in foreign countries. We heard the concerns of people and small businesses burdened by high taxes just trying to make ends meet.

In my meetings with you over the last month, you have shared the concerns of your constituents, like farmers who worry about the death tax wiping out the family farms, or workers who are nervous about whether their retirement accounts will be safe from ruin.

One of the greatest reasons I was drawn to President-elect Trump's campaign was that it was predicated on a commitment to stimulating prosperity for Americans of all backgrounds, whether they live in the inner city of Detroit, rural North Carolina, the coal country of Ohio or West Virginia, or any place in between.

I share the President-elect's goal to economically empower every citizen. We will not rest in our mission until that is a reality.

Among the President-elect's signature issues in this campaign was reviving trade policies that put the American worker first. I will enforce trade policies that keep our currency strong on the world exchanges and create and protect American jobs.

We will also make America the best place for companies to do business. Sensible regulation is a necessity for healthy markets. However, I saw firsthand how regulatory excess can inhibit lending by financial institutions, resulting in a lack of access to capital for small businesses and entrepreneurs.

Alexander Hamilton remarked that the wealth of a nation may be promoted by, quote, “multiplying the objects of enterprise.” Hamilton knew the unique value of entrepreneurial activity to a thriving economy. From our Nation’s earliest days, American businesses have been the greatest repository of ingenuity and entrepreneurial spirit in the world. We need to unleash that power to generate jobs and create abundance for Americans of all backgrounds.

We will work diligently to limit regulations, lower taxes on hard-working Americans and small businesses, and get the engine of economic growth firing on all cylinders again.

In this age of unprecedented online attacks, we must also be vigilant about cybersecurity. If confirmed as Secretary of the Treasury, I will use my expertise in technology to protect Americans’ information at the IRS and keep our financial architecture safe from malicious attacks.

I will use the Treasury Department’s Office of Terrorism and Financial Intelligence to stop the financing of terrorism. I will partner with other government agencies in our shared goal of allowing our financial markets to operate free from digital and physical threats.

If I am confirmed as Treasury Secretary, I promise I will work hard with this committee, all members of Congress, and the administration to put forth policies that will help American families reach and maintain prosperity. We will make America great again.

Thank you, and I look forward to answering your questions.

The CHAIRMAN. Well, thank you, Mr. Mnuchin.

[The prepared statement of Mr. Mnuchin appears in the appendix.]

The CHAIRMAN. Thank you, Mr. Mnuchin. We appreciate your comments.

I have some obligatory questions that I ask all nominees, that we do on this committee.

First, is there anything you are aware of in your background that might present a conflict of interest with the duties of the office to which you have been nominated?

Mr. MNUCHIN. I am not. I have worked with the Ethics Office and signed an agreement with them to dispose of all my investments that could create any conflicts.

The CHAIRMAN. Do you know of any reason, personal or otherwise, that would in any way prevent you from fully and honorably discharging the responsibilities of the office to which you expect to be nominated?

Mr. MNUCHIN. I do not.

The CHAIRMAN. Do you agree without reservation to respond to any reasonable summons to appear and testify before any duly constituted committee of the Congress if you are confirmed?

Mr. MNUCHIN. Absolutely. I look forward to it.

The CHAIRMAN. Finally, do you commit to provide a prompt response in writing to any questions addressed to you by any Senator of this committee?

Mr. MNUCHIN. Well, I have provided over 5,000 pages to the staff. I think I have the record of that, so I commit, if there are any additional questions, I will respond to them promptly.

The CHAIRMAN. All right. I have to go outside here for a minute, so, instead of my starting the question period, I am going to turn to the ranking member, my partner in this matter, and then I will ask questions when I come back.

Senator WYDEN. Thank you very much, Mr. Chairman.

Mr. Mnuchin, Medicare finance is about taxes, and it would be your responsibility, if confirmed. With the attempt to repeal the Affordable Care Act, Medicare's solvency is threatened. What steps are needed, in your view, to strengthen this program that every senior in America relies on?

Mr. MNUCHIN. Well, first of all, Senator, thank you very much. And I very much appreciated the opportunity for us to meet yesterday, and especially the opportunity to talk about tax reform with you, which I think is very important.

I completely agree with you that Medicare is very important and a very important program and that the safety of that is an important issue. And if confirmed, that is something that I look forward to working with your staff on to make sure that we have the appropriate policies.

Senator WYDEN. Now, if you are confirmed, Mr. Mnuchin, you would be the managing trustee for Medicare. Now, would you not like to offer something by way of discussion about what you would be doing, if confirmed? This is an important part of the job.

Mr. MNUCHIN. Senator, I acknowledge that it is a very important part of the job. And there are many parts of this job that I consider myself an expert on and understand, and there are certain parts of this job that, if confirmed, I will work on diligently with this committee and others. And there is obviously a significant staff. This is a very important issue. And as I have said, I am committed to be very responsible in my position there and make sure that I properly provide the support from the Treasury Department. And I would take my responsibility very seriously.

Senator WYDEN. I will just tell you that without any specifics on a matter that is so important that you would have direct responsibility over, I find it very troubling that you will not discuss Medicare. So let us go to terrorism financing.

The country is fighting ISIS and other terrorist groups. The Treasury Department plays a key role in fighting this battle. What would be your ideas on additional actions for strengthening how the Department fights terror?

Mr. MNUCHIN. Well, let me first say I strongly believe and understand that there are very, very important tools within the Treasury Department that can combat terrorism and that many of these tools, such as sanctions, are extremely effective and keep our armed services out of harm. So I am fully committed to the maximum amount of law to both enforce the existing sanctions in a very strict way, and I will work with the President-elect as he sees fit on additional sanctions.

And there are also other programs within Treasury that I believe are very, very effective in fighting terrorism. It is a very important part of the Treasury. And I know that that has been done very effectively under previous Secretaries.

Senator WYDEN. We all agree it is important. What we are trying to do is assess your qualifications. And you have not been willing to talk about Medicare, you have not been willing to talk specifics on terror.

Let me take one more crack on qualifications at the Committee on Foreign Investment, because this is something else as Treasury Secretary you would have responsibilities over, to protect our country when a foreign investor makes an investment in the United States in a way that has national security implications.

If a foreign investor with ties to a foreign government invests in President Trump's business, should the Committee on Foreign Investment automatically and with close scrutiny examine this transaction?

Mr. MNUCHIN. Senator, first let me say "yes," I think that would be appropriate. But let me go back to your other question, because I apologize if I did not answer the specifics on your terrorism and sanctions question because—

Senator WYDEN. I was searching for any specifics in order to be able to assess your qualifications.

Mr. MNUCHIN. Well, Senator, again, I believe there are some very important sanctions. As it relates to the sanctions against Iran and other countries, I would absolutely enforce those, and I would encourage the President to use additional sanctions when appropriate.

And I also understand there are certain classified programs that I will be part of at the NSA and will also use that and work with the national security group to the maximum amount as available by law.

Senator WYDEN. So we did not hear what you would do to fight ISIS, we did not get any specifics on Medicare, so now let us hear about this most current question with respect to the Committee on Foreign Investment. What would you do if you are dealing with President Trump's business?

Mr. MNUCHIN. I would deal with President Trump's business no differently than I would deal with any business that comes before the committee, and I would take my role as Chair of that committee very, very significantly.

I think it is a very important issue. I think perhaps previous Secretaries have not enforced some of these things necessarily as much as perhaps they should have in protecting the American workers and the American people and American technology.

I think this is one of the most important jobs that I would have as Secretary of the Treasury.

Senator WYDEN. Mr. Mnuchin, the President is not like everybody else. He is the Commander-in-Chief, and any foreign government involvement in his business could compromise national security. So I am going to reflect on that answer as well.

Can I pursue one other additional question, Mr. Chairman?

The CHAIRMAN. Yes, go ahead, but then I am going to—

Senator WYDEN. Mr. Mnuchin, you ran a hedge fund for a few years starting in 2004, and I have been trying to get my arms around the Mnuchin web of bank accounts and shell companies. They were in the Cayman Islands and Anguilla.

How many employees did you have in Anguilla?

Mr. MNUCHIN. We did not have any employees in Anguilla.

Senator WYDEN. How many customers did you have there?

Mr. MNUCHIN. We did not have any customers that resided in Anguilla.

Senator WYDEN. Did you have an office there?

Mr. MNUCHIN. We did not have an office ourselves there.

Senator WYDEN. So you just had a post office box?

Mr. MNUCHIN. Senator, let me explain to you—

Senator WYDEN. It is just a “yes” or “no” answer. I am already over my time. “Yes” or “no,” did you just have a post office box?

Mr. MNUCHIN. Well, hopefully the other Senators will defer some time so I can answer this for you, because I think it is an important issue. But no, we had—

Senator CORNYN. Mr. Chairman, Mr. Chairman—

The CHAIRMAN. I think he should go—

Senator CORNYN. This is not a trial.

The CHAIRMAN. I think you should go ahead and answer it right now.

Senator CORNYN. He should have a chance to answer the question.

The CHAIRMAN. Yes, it is a legitimate question. You go ahead and answer it.

Mr. MNUCHIN. All right. I, like all other hedge funds and many, many private equity funds, set up offshore entities that are primarily intended to accommodate nonprofits and pensions that want to invest through these offshore entities.

As it relates to my own tax situation, these entities were either taxed as U.S. corporations or U.S. partnerships. And in no way did I use them whatsoever to avoid any U.S. taxes. They were merely as an accommodation to pension funds and nonprofit institutions and a small number of foreign investors.

And as Treasury Secretary, if I am confirmed, I would look at these rules and make sure. I think that you did a good job in stopping one of the abuses of offshore deferred fees, but I would diligently look at these things. And I can assure you I paid all my taxes as was required.

Senator WYDEN. We will come back to this question of offshore deals, or more commonly called “blockers.” Again, I am very troubled about this question of how you are going to unrig the system if you have a record of taking advantage of tax shelters that, in effect, have a 0-percent tax rate.

Thank you, Mr. Chairman.

The CHAIRMAN. Well, Mr. Mnuchin, as you can see, you are going to get questions like this. And what was legal at the time is still being criticized.

But I am sure you have heard of allegations that you profited from, quote, “predatory lending” during the housing crisis. An investor group that you headed reformed IndyMac, a failed institution responsible for many low- and no-doc mortgage loans, into a

viable institution called OneWest, which you have described here, which offered loan modifications, often above and beyond what other institutions were doing, to more than 100,000 borrowers. At least that is the way it looks to me.

Meanwhile, during all of the foreclosure turmoil, Obama administration officials set up a national loan modification program called HAMP—Home Affordable Modification Program. And according to the SIGTARP, many members of Congress from both sides of the aisle, and others, HAMP repeatedly fell far short of its goals and had significant design flaws.

In testimony before Congress in 2011, then-SIGTARP—Special Inspector General—Neil Barofsky identified that, quote, “There have been countless published reports of HAMP participants who end up worse off for having engaged in a futile effort to obtain the sustainable relief that the program promised. Failed trial modifications often leave borrowers with more principal outstanding on their loans, less home equity, depleted savings, and worse credit scores.”

Using provocative language that we have heard supporting your actions in the foreclosure crisis, I guess you could say that then-Treasury Secretary Geithner was a, quote, “predatory loan modifier,” using that type of logic.

Now, Mr. Mnuchin, did OneWest have any interplay with the Obama administration’s HAMP program? And was that program always successful in preventing foreclosures on struggling American homeowners? Or could more have been done by the administration?

Mr. MNUCHIN. Senator, thank you very much for that question. And that is a very important issue.

When we did the IndyMac deal with the FDIC, we committed to the FDIC that we would continue the FDIC loan modification program. It was after that that the Obama administration came up with HAMP. And we had no obligation to do HAMP. We could have continued to do FDIC loan modifications, but we felt it was the appropriate thing to voluntarily go into the U.S. Treasury HAMP program, as did other major banks. So we voluntarily went into that program.

The HAMP loan modification program was a very proscriptive program, including us having to follow net-present value calculations that were determined by the Treasury models to see which was better, either foreclosing on a home or providing a loan modification. And to the extent that the net-present value was higher on foreclosing, we unfortunately had to follow the HAMP rules or we would have been severely penalized if we had not proceeded with foreclosures.

The CHAIRMAN. Now, these were not your rules.

Mr. MNUCHIN. No, they were not our rules, Senator. These were rules that were driven by the administration under HAMP.

The CHAIRMAN. Which administration?

Mr. MNUCHIN. The Obama administration.

The CHAIRMAN. Oh, I see; okay. Well, let me ask one more question. There is a wide agreement that the tax law has become much too complicated. When stories of people getting their tax liability incorrectly calculated are commonplace, thus inducing cynicism



about the tax law, and thus creating an ever-greater tax gap, or a difference between what is owed versus what is actually paid, it is clear that there is a major problem and something needs to be done to address the problem. Now, to your credit, Mr. Mnuchin, you have talked about your desire to simplify the tax code. Thank you. I am glad you are talking about that, because I very much agree with you.

So my question to you, Mr. Mnuchin, is how to address this problem. Do you have any suggestions for how to make the Internal Revenue Code less complex, or at least keep it from getting more complicated? And would you recommend a moratorium on either tax legislation or tax regulations? And should the tax law simply try to raise revenue for the government and stop trying to achieve so many other societal goals?

Mr. MNUCHIN. Yes, Senator, I agree with you completely. And one of the things that has been a great honor is to travel with the President-elect, and I have been one of the chief architects of his economic plans.

And we believe the most critical issue is creating economic growth, and passing tax reform is a major component of that. And our tax reform plan—we believe that tax simplification and fewer deductions are absolutely critical.

Now, you mentioned the tax gap, and that is something I have been reading about and studying and is something that I am actually quite interested in. I was particularly surprised in looking at the IRS numbers, that the IRS headcount has gone down quite dramatically, almost 30 percent over the last number of years. I do not think there is any other government agency that has gone down 30 percent, and especially not an agency that collects revenues. This is something that I am concerned about.

Now, perhaps the IRS just started with way too many people. But I am concerned about the staffing of the IRS. That is an important part of fixing the tax gap. And I am also very concerned about the lack of first-rate technology at the IRS, the issue of making sure that we protect the American public's privacy when they give information to the IRS, the cybersecurity around that, and also customer service for the many hardworking Americans who are paying taxes.

The CHAIRMAN. Senator Grassley, you are next.

Senator GRASSLEY. Like I told you when we met in my office, I do not have any "gotcha" questions, or I would let you know. So let me go along the line of the first statement I want to make. I do not expect you to answer unless you have some misunderstanding of our position discussed in my office.

Pro-growth tax reform will be a top priority for you. I agree and look forward to working with you and President-elect Trump on that point. As part of any tax reform proposal, it will be important that adequate transition rules are included to provide a smooth transition for businesses that may be unpredictably negatively impacted.

As we discussed in our meeting, Congress has already effectively put in place transition rules for some alternative energies, including wind. The Production Tax Credit is currently scheduled to phase out over the next few years, ending in 2020. Based upon our

conversation, I believe that we are in agreement that you would support the current phase-out as part of any tax reform proposal.

Question two. I have been a strong proponent of the IRS private debt collection program, as has Senator Schumer. In 2015, Congress updated and made mandatory the IRS private debt collection program. This program is designed to chip away at the tax gap by requiring the IRS to contract with private debt collectors to collect inactive tax debt owed. These are the tax debts not being worked by the IRS and, absent this program, would likely never be collected, adding up to \$187 million in 2017.

Out of that \$187 million, the Treasury Department has provided debt collectors to collect a net of \$8 million. This certainly is not due to the lack of inactive tax debt available for the IRS to assign. According to the Government Accountability Office report, the IRS has over \$130 billion of outstanding debt on its books. So hamstringing this program by refusing to release inactive debt for the program ought to be considered unacceptable by anybody.

So can you give me assurances that the Department of Treasury under your leadership will work to implement the program to the full extent of authorized law and bring in this tax money that is not being collected?

Mr. MNUCHIN. Yes, Senator. And first of all, thank you for having spent time with me. I appreciated the opportunity to speak to you about a lot of important issues.

And on these issues, I absolutely agree with you that we do need to have phase-out rules when we change things. And I support the phase-out of that, as you have suggested.

And then on the IRS, I think that most aspects of taxes should be handled by the IRS. But as you have described, to the extent we have 100-and-plus billion dollars of receivables that are just sitting there, and that we can collect tens of millions or hundreds of millions of dollars for the American public, particularly in an environment where we are looking for money for so many programs, this, to me, I agree with you, seems like a very obvious thing to do.

Senator GRASSLEY. Yes. This will have to be my last question. In 2006, I was successful in enacting legislation to enhance the IRS whistleblower program. The program has been one of the most effective programs in addressing tax evasion, leading to the recovery of more than \$3.4 billion in taxes that would have otherwise been lost to fraud.

However, there has been resistance within the IRS to the whistleblower program. An ongoing concern has been poor communication with whistleblowers, who often wait in the dark for years with no feedback from the bureaucracy.

Another concern is that the IRS has chosen to interpret the whistleblower law narrowly, to the detriment of whistleblowers in several instances. For example, the IRS has interpreted the terms "collected proceeds," which is the base for determining the amount of an award, to exclude criminal penalties and certain other proceeds, such as penalties assessed for undisclosed foreign bank accounts.

Two questions, and I will state them both. Should you be confirmed, can I count on you to be supportive of the whistleblower

program and work to ensure its success? And additionally, would you be willing to review the IRS's administration of the program, including its very narrow interpretation of the words "collected proceeds"?

Mr. MNUCHIN. Absolutely, Senator, you have my assurance. And let me further go on to say that the majority of Americans voluntarily file their tax returns honestly. But we are all aware that there is tax fraud and there is tax evasion, as you have said, and we need to be diligent. And I believe that the whistleblower laws are a very important part of that. So I will work very hard with you on that. Thank you, Senator.

Senator GRASSLEY. Thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Stabenow?

Senator STABENOW. Thank you very much, Mr. Chairman.

And welcome. And congratulations on your nomination, and welcome to your beautiful family as well.

I do want to follow up on information that we just received last night that was in addition to your recent financial disclosures. I have not had a lot of time to take a look at that. We just received it last night.

But you failed to include your position as a director of a Cayman Islands corporation as well as manager, chairman, or director of seven additional shell corporations and holding companies, nearly \$100 million in real estate, as well as a number of other things, including \$906,000, \$556,000 worth of artwork held by your children—so a number of things.

As Treasury Secretary, and as we go into tax reform, would you support closing tax loopholes in the U.S. tax code that extremely wealthy people use, such as yourself, to avoid paying taxes? We have heard about the Cayman Islands for years and the buildings that have had thousands of companies that have used them as addresses. Would you be willing to close those loopholes?

Mr. MNUCHIN. Well, first of all, let me just comment. I very much appreciated the opportunity to meet with you. And I have traveled to your State many times and have great admiration for your State. The President-elect had a very significant economic speech in Detroit, and we have been very focused on time in your State. So I appreciate everything that you have done there.

Let me just comment on—I realize last night you did get a memo on some changes to my Senate questionnaire, so thank you for giving me the opportunity to comment on that.

I think, as you all can appreciate, filling out these government forms is quite complicated. There were many things I expected in this job, including having to sell everything. But the amount of paperwork and filling out the forms, even for me, having experience in business, was quite a job.

In an effort to get the committee information early, we submitted a preliminary questionnaire prior to us having the 278 form finished and prior to signing the agreement with the Ethics Office, so let me first say any oversight was unintentional.

You did mention that there was \$100 million of real estate. I was advised by my lawyer that we did not need to disclose that on the

questionnaire because it did not need to be disclosed on the 278. There was some confusion about the complexity.

We worked tirelessly with the committee staff. And I want to thank all the staff. I know they worked very, very long hours. As I said, they were extremely thorough, and I appreciate their work. We delivered over 5,000 pages. And I can assure you, they actually read all those 5,000 pages, because when I had the opportunity to meet with the staff, with my lawyers and accountants, we answered some very specific questions and—

Senator STABENOW. Excuse me, Mr. Mnuchin, I do not want to interrupt, but I have very limited time. And actually, I appreciate the additional information and the clarification and all that.

Mr. MNUCHIN. Yes.

Senator STABENOW. But my question goes to what you were actually disclosing and particularly the Cayman Islands. I mean, did you use the Cayman Island corporation to avoid paying taxes? Would you support closing tax loopholes that very wealthy people have consistently used in the Cayman Islands to avoid paying taxes? That really is my question.

Mr. MNUCHIN. Well, let me just be clear. Again, I did not use a Cayman Island entity in any way to avoid taxes for myself. I paid U.S. taxes on all that income, okay? So there was no benefit to me from the Cayman entity.

As I said, the Cayman entity was set up to accommodate non-profit and pension funds that wanted to invest through offshore and a certain number of offshores.

Senator STABENOW. So you have helped others avoid paying taxes.

Mr. MNUCHIN. Again, I am not going to make a comment. Again, they did not avoid—they followed the law. Because I have experience as a hedge fund manager, I am committed to tax simplification. I think it makes no sense that we would encourage hedge fund managers to set up entities in the Cayman Islands or Anguilla or anywhere else where, as you have pointed out, I did not have any physical people.

This is not like—there are people who set up offshore businesses and put all their people offshore, and you have heard of inversions. And those types of things, you know, are perfectly legal and hurt the American workers.

In the hedge fund world, these are all just set up to make the accountants rich. And I would like to work with the IRS to close these tax issues that make no sense and make sure that we are collecting the proper amount of taxes.

Senator STABENOW. So you would support closing those loopholes?

Mr. MNUCHIN. I would support changing the tax laws to make sure that they are simpler and more effective, yes.

Senator STABENOW. Thank you.

The CHAIRMAN. Senator Crapo?

Senator CRAPO. Thank you very much, Senator Hatch.

And, Mr. Mnuchin, I appreciate your being here, your willingness to go through this and to serve the American people. We truly need the kind of vision that President Trump has enunciated for the

country and that you have committed to help work with him to achieve for the country.

As a part of that, one of the things that you have already mentioned today, and I am paraphrasing you here, but I believe you said, in essence, that we have a regulatory excess in the United States in many circumstances that can and is inhibiting lending and inhibiting capital formation, two very important things that I think are critical to a pro-growth economy.

Could you elaborate on that?

Mr. MNUCHIN. Sure. Well, let me first say that I absolutely believe in proper regulation. And before I had the opportunity to put in a bid for IndyMac Bank, I had to be issued a charter. And I worked very closely with what was the Office of Thrift Supervision at the time. And by the way, I was a big fan of you merging the OTS with the Office of the Comptroller of the Currency and getting rid of another regulatory agency.

But at the time, I worked with the OTS and the Fed. And the regulators explained to me at the time, and I told them that I understood the responsibility of being given a banking charter. I took that very, very seriously.

I must say that I enjoyed working with very, very smart regulators. And I have tremendous respect for them.

As a matter of fact, one of the few nice things that *The Wall Street Journal* actually wrote about me was, they made a comment that I told everybody we had to treat the regulators like our best client, which I believe. The regulators and the relationships with them and following the regulations, nothing was more important, given the trust they had put in us.

Having said that, I witnessed firsthand multiple regulators: the OCC, the FDIC, the Consumer Financial Protection Bureau, the Federal Reserve. In certain cases, there was overlapping regulation.

My biggest concern—and I fully support regulation for banks with FDIC insurance—but my biggest concern is that this regulation is killing community banks. We are losing the community banking business; we are losing the ability for small and medium-sized banks to make good loans to small and medium-sized businesses in the community where they understand those credit risks better than anybody else. And I think we all appreciate that the engine of growth is with small and medium-sized businesses.

And in my role at the Financial Stability Oversight Council and working with the different regulators, I would make sure that we did what we could to have proper regulation, but eliminate overlap as well as make sure that the banks are lending to small and medium-sized businesses so we do not end up with a world where we only have four big banks in this country.

Senator CRAPO. Well, thank you, and you actually led right into my next question. Because in a very closely related matter, as you know, as the Secretary of Treasury you will have a very important role as the Chairperson of FSOC. And in my view, FSOC has focused very heavily on some of its statutory mandates while ignoring others.

One of the statutory mandates that the Dodd-Frank Act requires FSOC to do is to, and this is the statutory language, “advise Con-

gress and make recommendation in such areas that will enhance the integrity, efficiency, competitiveness, and stability of U.S. financial markets.”

To date, frankly, I am not aware of FSOC fulfilling that role. We do not get a lot of advice from FSOC. We get a lot of directive in the country.

Will you pledge, as the Chairperson of FSOC, that you will ensure that the Council considers ways to make the U.S. financial markets more efficient, and then advise and work with Congress to achieve those outcomes?

Mr. MNUCHIN. I absolutely will, Senator. And let me just comment on, for instance, the Volcker Rule as an example. And I do support the Volcker Rule. I think the concept of proprietary trading does not belong in banks with FDIC insurance.

But the Federal Reserve just put out its own report that the Volcker Rule has completely limited liquidity in many markets. And the Federal Reserve is concerned that the interpretation of the Volcker Rule does not allow banks to create enough liquidity for customers. So that is something I would absolutely want to look at.

And, Senator Wyden, by the way, I wanted to thank you, for I am now in great esteem of having the Mnuchin Rule with both the Buffett Rule and the Volcker Rule. I take that as a great compliment, so thank you for putting me in with these other great people.

The CHAIRMAN. Senator Nelson?

Senator NELSON. Good morning. I enjoyed our visit yesterday.

Were you a director of Dune Capital International Limited, a Cayman Islands corporation?

Mr. MNUCHIN. I was. That is correct.

Senator NELSON. Did you move a hedge fund, Dune Capital Partners, LLC to Anguilla?

Mr. MNUCHIN. So, Senator, first let me just comment. When we talk about moving, okay, you know, it is not as if I had 50 people sitting in offices, as we have talked about, and moving them.

Senator NELSON. Right. I understand it. What was—

Mr. MNUCHIN. I do want to comment. And yes, so Dune Capital, LLC, which was our master fund—and not to get into the nuances of this, but when one runs an onshore fund and an offshore fund, there are certain efficiencies of keeping the assets in what is called a master fund.

And because we set up the master fund in Anguilla, I was required to change Dune Capital Partners to become a foreign entity. So that was the reason for it.

But let me just comment—

Senator NELSON. Right. No, I am running out of time. I have to get to the question.

Mr. MNUCHIN. Right. Sorry.

Senator NELSON. The question is—both of those were, for a tax consequence, located in the Caymans as well as Anguilla. And so the question is—you said you support tax reform—do you support closing those kind of tax-avoidance provisions, the Anguilla- and the Cayman Islands-type tax avoidance in the tax code?

Mr. MNUCHIN. So let me just comment that when I did move it, I had to apply to the IRS. And the IRS approved it as a foreign

entity eligible to be taxed as a U.S. partnership. So from my standpoint, it made no difference to me whether it was located in Delaware—

Senator NELSON. That is not my question.

Mr. MNUCHIN. I am giving you a slightly longer answer. I apologize; it is a complicated issue.

Senator NELSON. Can you just answer the question?

Mr. MNUCHIN. The short answer is “yes,” as I have said before. I think that I would work with the IRS and with Congress, okay, as I have said. It makes no sense that we have all these requirements to set up these offshore entities, which, again, did not benefit me, but did benefit certain nonprofits and pensions. And we should address the issues for nonprofits and pensions and understand why they need to invest through these offshore funds.

Now, I would not want to do anything that is detrimental to the pension holders or these nonprofits, but I would commit to work with your office, Senator, and make sure that we fix the system.

Senator NELSON. All right. We talked about IndyMac Bank yesterday and becoming OneWest. And you said you bought, when you acquired IndyMac Bank, the portfolio of reverse mortgages. And to your credit, you said that once it became OneWest that you did not sell anymore reverse mortgages.

And yet, you, as the CEO—I want you to comment on the fact that, of the reverse mortgages that you acquired from IndyMac Bank, some of the folks were not treated very well.

I mentioned to you yesterday that a 90-year-old Lakeland woman was foreclosed on because of a 27-cent payment error. I did not mention two others: foreclosing on an 80-year-old Orange Park, FL woman whom your bank claimed did not live in the home when, in fact, she did and she happened to have the foreclosure papers served on her in the home that the bank said she did not live in. Another example: a married couple in their 50s trying to make the best of everything, they asked for a loan modification from OneWest Bank, which they were eligible for, and instead they were foreclosed on.

Explain to the committee, if you would—and I think you are an earnest, well-intentioned person, but you are sitting there as a CEO and this stuff is happening that is very unfair to little people. Why?

Mr. MNUCHIN. First of all, Senator, again, thank you for taking the opportunity to meet with me. I appreciated that and the time to speak about these important issues.

Let me first say, to the extent that we made any errors or we ever foreclosed on anybody, I completely understand the hardship that that created. As I mentioned, we did go through an independent foreclosure review. And unfortunately, there were some issues—very, very low rates relative to everybody else—but there were some issues. And we paid money to those people to make them whole. And I earnestly feel terrible for any mistakes at the bank.

Let me comment also that once a week I chaired an internal committee that dealt with customer complaints. So for any complaint that went to our regulators, that went to a Senator, went to a member of the House—came through those—we had a special

group of people that reviewed every single one of those complaints, responded to all of your offices and responded directly to the borrower.

We also routinely had the OCC come in and monitor and test us and go through all those complaints. It was a very, very big concern because, as you can imagine, from both the FDIC and the OCC, when we took over IndyMac, the amount of complaints spiked dramatically.

As I shared with you, the reverse mortgage business was not something we wanted to buy, but we agreed to buy that as part of an overall solution. What we were really trying to do is create a regional bank, and that business really had no part of it.

There were about \$1.5 billion of reverse mortgages that the bank owned. There were over \$20 billion of reverse mortgages that we did not own, that we serviced for third parties. And the majority of all those third parties were HUD-guaranteed mortgages.

And as I have pointed out, I think there are some very significant issues with the HUD program. One, as I have mentioned, is a problem with taxes and insurance, that if there is a shortage on taxes and insurance because somebody outlives their expectancy, that HUD forced us to foreclose.

There is another problem called a non-borrower spouse, where if the spouse was not on the mortgage at the time, that you would have to foreclose on the spouse. We discussed these issues with HUD.

If I am confirmed, I would look forward to discussing these with Dr. Carson and hope that HUD would seriously consider looking at these things. Although it is not under my responsibilities, I would share my concerns.

These are government-guaranteed programs where we are foreclosing on senior citizens. And I can assure you, nothing was more painful to me in the whole process. And I will tell you, I cannot talk about specific loans because of privacy, but there are certain things that were in the press.

And the most troubling loan we had was actually to the "Octomom," and we worked very, very hard. That was a terrible situation. And we worked very, very hard to move her to another home that they could afford.

But I can assure you that, as chairman of the bank, I took these issues very seriously. It is not to say that we did not have certain mistakes. There were mistakes; we regret those mistakes. As I mentioned, we had hundreds of thousands of delinquent loans.

And just as an aside, when you talk about loan modifications, banks are highly incented to do loan modifications. Anybody who thinks that we made more money foreclosing on a loan than modifying a loan has no understanding of this. We were highly incented. Foreclosing on people is a very, very terrible thing to do, but it is also very costly to the bank. So we believe in loan modifications, and we were financially incented to offer them when we could. So thank you, Senator.

The CHAIRMAN. Thank you. Senator Menendez?

Senator NELSON. Mr. Chairman, I look forward to a second round.

The CHAIRMAN. Senator Menendez?



Senator MENENDEZ. Thank you, Mr. Chairman.

And, Mr. Mnuchin, congratulations on your nomination.

I have a different line of questioning. But I have to be honest with you, the information that came to us this morning makes me concerned. You have addressed some of it, but not all of it.

On December 19th of last year, you signed a notarized affidavit on your questionnaire to the Finance Committee certifying that it was true, accurate, and complete.

Question 11 of this questionnaire asks nominees to, quote, “list all”—all—“positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution.” That seems to be pretty pervasive. So it is almost like an open-book test. And yet, you did not answer in that questionnaire listing your position as director of a Cayman Islands corporation, as manager, chairman, and director of eight additional shell corporations and holding companies, and nearly \$100 million in real estate. And that questionnaire was corrected only after the committee staff, having done their due diligence, brought the missing information to your attention.

Now after that, you admitted to being the director of the offshore entity Dune Capital International Limited, a Cayman Island corporation. You admitted to moving your hedge fund Dune Capital Partners, LLC offshore to Anguilla in 2005, even though all the business was conducted in New York City.

So, you know, I have a ton of other questions on policy, but first and foremost is truth and veracity, what Americans need in their Treasury Secretary—to know that they are going to be asked to do difficult things or challenging things and that they understand that there is a system.

In essence, is it not true that what you did here is take these companies and put them offshore so you could help your clients, whom you were making money from, avoid U.S. taxation?

Mr. MNUCHIN. No, that is not true at all. That is not true, Senator.

Senator MENENDEZ. Then why would you—you just described that the purposes of creating these offshore entities were to help pensions and other entities. And the only reason to go offshore, as Senator Grassley said when he was, I think, the chairman of the committee, is that the difference between investing in the United States or the Cayman Islands is the possibility of avoiding U.S. taxes.

Your clients—you have made it very clear that you have paid your taxes. Okay, I will accept your word on that. But the people or the entities that you were helping and that you were making money from, you were helping them avoid U.S. taxes. Otherwise, they could have invested here.

Mr. MNUCHIN. Senator, let me first answer the first part of your question, which I will tell you—and I have said this before, and I will repeat it again—I assure you that these forms are very complicated. I do not have the form in front of me, but I believe it said “to the best of my knowledge, this is true.” And when I certified those forms, I thought it was correct.

Perhaps it was a mistake in giving the committee information early, and I should have waited until I had finished with the 278 and the Ethics Office.

It was not just a function of your office. We were in the process of correcting things. But——

Senator MENENDEZ. But it does not take a rocket scientist to understand the word “list all positions”—all positions.

Mr. MNUCHIN. Senator, in all due respect, I had a lot of complicated entities. You are referring to the fact that I did not list myself as the director; I listed the entity. So the fact that I did not list that I was a director was not intended to hide anything.

And as I have mentioned, in regards to my \$100 million of real estate, my lawyer, who is quite sophisticated in this stuff and actually has done this for many, many nominees before, believed that we filled out the form correctly and that——

Senator MENENDEZ. Well, let us get to the heart of my question. The heart of my question is, did you not create these offshore entities, that most Americans cannot create or take advantage of, in order to help your clients, whom you were making money from, avoid U.S. taxes?

Mr. MNUCHIN. No, not necessarily. Okay? So first of all, I want to say that it is important that the committee and the American public understand——

Senator MENENDEZ. What were you doing it for then?

Mr. MNUCHIN [continuing]. That this was done so that different entities could invest. So sometimes it had nothing to do with taxes, it had to do with what they could invest in and what they could not invest in.

And as I have said to you, if you want to put me on for the entire hedge fund and pension fund, we should have an IRS session to go through these issues, and I would be more than happy to work with you and your offices to go through it. These are very complicated issues.

Senator MENENDEZ. Well, I appreciate that, but let me——

Mr. MNUCHIN. We need tax simplification.

Senator MENENDEZ [continuing]. Make the complication simple. One does not go and create offshore entities, at the end of the day, other than to avoid, in some form or fashion, the tax laws of the United States. That is pretty simple. And so that may even be legal, in which case we should definitely close that loophole, but you have to question whether or not that is the essence of what we want as leadership.

And so I would like to hear you be more determinative of saying, yes, we are going to close all of those down if I can convince the President-elect and Congress to do so, because what you did may have been legal, but it certainly was to help people and entities avoid U.S. taxes.

Mr. MNUCHIN. Well, first of all, I am absolutely committed to work with you and your office, as I have said, on tax simplification and to cut down and make sure that we do not let anybody avoid taxes.

In certain cases, this was not a function of avoiding taxes, it was to create eligible investments for certain nonprofits.

But I agree with you completely. I am onboard with what you have said. I would be happy to work with your office to simplify the tax code and cut down—

Senator MENENDEZ. Whose investments were ultimately eligible, therefore, to avoid some taxes?

Mr. MNUCHIN. Again, it may have been an eligibility issue and not a tax issue. But I agree with you that this does not make sense. And I will work with you and your office—I have committed to do that—to make sure that we know why people need to move entities from Anguilla to everywhere else. And again, we are not creating jobs there; this is just where these entities are housed.

I agree with you. And you know, it will create a lot less work for the tax accountants and the lawyers and make the American public more money and move our IRS resources elsewhere. So I agree with you completely, Senator. Thank you.

The CHAIRMAN. Your time is up, Senator.

Let me just say, it is ironic and, I think, a bit hypocritical of my friends on the other side of the aisle to suddenly have found religion on offshore account holdings. Evidently, memories are short. At least two of President Obama's nominees, who now serve in his Cabinet, had Cayman Islands holdings. Now, that includes the current Treasury Secretary, who also ran a business unit at CitiGroup, a bailed out megabank from which he received close to a million dollars in bonuses. That unit has been sanctioned by the SEC for selling toxic assets that, quote, "harmed investors."

Now, with regard to the nominee's disclosures to the committee, I want to say this. As part of the committee's bipartisan vetting process, Mr. Mnuchin in good faith submitted answers to committee questionnaires and other materials that were later modified. Mr. Mnuchin's file is now complete. And to meet demands of some of my Democratic colleagues, the disclosures now include financial information that is usually kept confidential, such as the value of personal residences.

The committee appreciates Mr. Mnuchin's efforts to work through the multiple and complicated requests for information on what is, by any reasonable measure, an exhaustive vetting process. But I think it is—let us be fair here.

Senator WYDEN. Mr. Chairman, just so we are clear: the bipartisan staff called out these offshore investments of both Democrats and Republicans, to Secretary Lew and others. So I want that understood. And that is the reason that people even knew that Mr. Mnuchin had not filled out these forms properly. We did it because the American people deserve to know about Mr. Mnuchin's offshore investments, even though they had not been originally disclosed and disclosed fully.

But our track record has been bipartisan, and we have called out both Democrats and Republicans, as I mentioned.

The CHAIRMAN. I think so, and that is the purpose of it. But let us be fair about it too.

Senator ENZI?

Senator ENZI. Thank you, Mr. Chairman.

And thank you, Mr. Mnuchin, for being willing to serve and to go through this process. I want to thank you for meeting with me in my office and going through many of the accounting functions

and initiatives that you will be managing. I do not ask those types of questions in these kinds of meetings, because I have noticed that it puts the audience to sleep. But they are very important, and I was really impressed with your answers.

I am impressed with your private-sector experience. I have always said that every business looks really simple unless you are the one who has to make the decisions on it and you see how far ahead you have to make the decisions on how you find employees and how you train employees and how you meet all of the Federal regulations.

Well, you have actually worked with those rules. You have actually been forced to learn some things that are going to be essential to your job. And it is a pretty unique situation.

This is the biggest business in the world, and we do not even make decisions in a timely manner. We are still working on the last October 1st spending bills. There are a lot of things around here that have to change, and some of them you are going to be in a position to do.

And I have been really impressed with the knowledge that you have already shown this committee on different things that most of us have never had any experience with. Very impressive.

Now, I will cover a couple of specific things here, because I think the Internal Revenue Service has often strayed from its core function of responsible and efficient revenue collection. I hope the new Trump administration will make sure that the Internal Revenue Service stays on track with this purpose, while also improving the recent record on how it communicates with taxpayers and practitioners. People have not been able to get answers.

But something that has been more disturbing to me, to illustrate, is that in recent years the IRS has inserted flyers with the tax refund checks, and those flyers—one of them was produced by the Consumer Financial Protection Bureau, which is outside of our oversight, and solicited answers from the taxpayers about their money.

It is not appropriate for the CFPB, an independent organization, or any other organization to solicit information from taxpayers, nor is it appropriate for the IRS to help facilitate this.

As the Treasury Secretary, would you stop this type of activity? Do you believe that is in the role of the IRS?

Mr. MNUCHIN. Senator, thank you. And again, thank you for taking the time to meet with me, and thank you for your longstanding service to our country.

And yes, I absolutely would work with you on that. I do not think it makes sense that the IRS is doing that. I would want to understand what the reason is, but it seems to make no sense to me.

And you know, as I have said to you, I think one of the big issues around the IRS is technology. And I would use my expertise in technology to make sure that we bring the IRS up to date. And that is a function of, I understand, old email systems, old privacy systems. We absolutely need to make sure—

And in this world of cybersecurity being such a big issue, we need to protect American taxpayers' information. And there should be simple ways that the IRS can interact with the American taxpayers. If you can get good service in the retail online business,

there is no reason why we cannot use that same type of technology for taxpayers to communicate and get their information securely with the IRS.

So I look forward to working with you and your office on that. Senator ENZI. Thank you.

The CHAIRMAN. Senator, if I could just interject.

You mean you are going to help us modernize the IRS?

Mr. MNUCHIN. It would be one of my great priorities, absolutely, Mr. Chairman.

The CHAIRMAN. My gosh. Well, that would be a wonderful thing.

Mr. MNUCHIN. I hope that, at least, is a bipartisan issue that we can all agree on.

Senator ENZI. Since the chairman used part of my time, I would like to ask this question here. In 2012, I introduced the United States Job Creation and International Tax Reform Act that would help fix our tax code and promote U.S. economic and job growth. And that bill would help to right the ship by pulling our international tax rules into the 21st century and making them more certain so that U.S. companies are not at a competitive disadvantage with foreign companies.

It would give American companies incentives to create jobs in the United States and undertake activities here at home so that they can win globally. It would encourage U.S. companies to develop products and keep rights to their ideas and inventions in the United States rather than ship them offshore.

Do you agree that our current international tax system is outdated and places U.S. companies at a competitive disadvantage with their foreign counterparts, and would you work with me on international tax reform?

Mr. MNUCHIN. I could not agree with you more. I think the fact that we have companies like Apple that have hundreds of billions of dollars offshore because of the differential in tax rates and that they are being penalized to bring back money—

One of the things I think we all agree on—and I have talked to the President-elect, and he believes we can bring trillions of dollars back onshore so that that money is invested in American businesses and creates jobs.

And I absolutely look forward to working with you and your office on tax reform, bringing down business rates for big businesses and small businesses and making American business the most competitive in the world so that we are not shipping jobs overseas and money overseas.

Senator ENZI. Thank you. And I have some questions about the debt and how we are going to handle that. And, as Budget chairman, I am interested in that. But again, it gets into those number minutiae, so I will submit those.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

Senator Carper?

Senator CARPER. Thanks.

Welcome, Mr. Mnuchin.

Mr. MNUCHIN. Thank you.

Senator CARPER. I am a Senator from Delaware, a recovering Governor from Delaware. In a lot of my time as Governor, and even

now, I have thought a lot about, how do we create a nurturing environment for job creation and job preservation? I want to talk about that in just a moment.

But before I do, some of my colleagues have raised, I think appropriately, tax havens. The Cayman Islands has been mentioned, Anguilla has been mentioned.

You have mentioned the IRS. And I just want to say, in the past years, several times in the past couple of years, John Koskinen has sat right where you sit, the Commissioner of the IRS. It is a position that he has been selected to serve; it is a 5-year term. I think he has maybe another year to go on it.

He is in his 70s. He took this job not because it was something he aspired to do, but because he was asked to do this for his country. He is one of the finest public servants I know. He is often berated. There was an attempt to impeach him in the House of Representatives, which I thought was lunacy.

And he has said to us many times, as has the Government Accountability Office—and you have said it here today—we give the IRS less money than they need, they do not have the people they need, they do not have the technology they need. For every dollar we invest in the IRS, we get at least \$4 back. I have seen some estimates as high as \$10.

This is not so much a message for you. I think you get it. But the message is really for us. If we are interested in raising some revenues and not having to raise taxes, that is a good place to start. And I was encouraged by what you had to say.

Mr. MNUCHIN. Thank you.

Senator CARPER. CFPB, just really quickly, 30 seconds. Your take on the CFPB. How are they doing? Worth keeping?

Mr. MNUCHIN. Well, first of all—

Senator CARPER. Just really quickly.

Mr. MNUCHIN. Okay. It is a complicated issue. But yes, okay. The biggest issue I have with the CFPB is that I do not believe they should be funded out of profits from the Federal Reserve. I think they should be funded out of an appropriation process.

Senator CARPER. Okay, that is good. Thanks very much.

When I think of that nurturing environment I mentioned earlier for job creation and job preservation, there are a lot of components to it. Among them are actually funding research, actually making sure that we are doing a good job protecting intellectual property, a sensible tax code, common-sense regulation, affordable health care, finding ways to get better results maybe for a little bit less money.

We have had people who have suggested to us that one of the components that can actually grow GDP is substantial investments in infrastructure. I have suggested for a number of years that we use an approach we have taken for years, and that is the people, the businesses that use our transportation system would actually pay for them. We have done that for a half-century. I think that makes sense.

There are other ideas as well, vehicle miles traveled, where sort of—you figure out how many miles a vehicle is traveling and assess a fee. There are different approaches to that. But there is some in-

terest in the incoming administration in infrastructure investment. And there is another time to talk about that.

One of the ways to grow GDP or grow jobs is to export, do a better job of exporting our products and get into other markets. The Trans-Pacific Trade Partnership, TPP, proposed to take down a lot of barriers overseas and enable us to have better access to those markets. And also at the same time, a renegotiated NAFTA, as you may know, that seemed to me like a pretty good deal. And I understand that there is an interest in the administration renegotiating NAFTA. We did that in TPP, but your thoughts on trade policy, especially the Trans-Pacific Trade Partnership?

Mr. MNUCHIN. Well, first of all, thank you. You have raised a bunch of very, very important issues.

Senator CARPER. I am just going to ask you to go into that one issue, if you would, please. And it is not a trick question.

Mr. MNUCHIN. I wrote down five of them I wanted to comment on.

Senator CARPER. Yes, we just do not have time. Just on trade agreements.

Mr. MNUCHIN. So on the trade agreements, I think, as you know, the President-elect is very much interested in free and fair trade. And as you have commented on, this is not about limiting imports, this is about growing exports—

Senator CARPER. There you go.

Mr. MNUCHIN [continuing]. As much as we can.

You have also commented on intellectual property. I think one of the biggest problems in certain of our trade agreements is that our American intellectual property is not being kept and is being taken in foreign countries.

You have mentioned NAFTA. The President-elect is very much interested in renegotiating NAFTA so that we can keep more jobs here. I think, as you know, he has picked up the phone and called many CEOs. I cannot remember the last time a President or a President-elect did that and worked for the American workers.

And I look forward to working with you and your office. You have raised some very, very important issues.

Senator CARPER. Okay, thank you.

Mr. MNUCHIN. And infrastructure, again, at the appropriate time, I am happy to comment on infrastructure—

Senator CARPER. Thank you.

Mr. MNUCHIN [continuing]. Because that is very important to the President-elect.

Senator CARPER. One last quick one: comprehensive immigration reform. One of the things we have learned is, not only can we grow GDP by infrastructure investments, smart infrastructure investments, and some of the other things that I mentioned, but also by comprehensive immigration reform.

We were strongly urged by the business community for years to do it. Any take on that?

Mr. MNUCHIN. Again, I think you know immigration, immigration reform, is very important to the President-elect. It is not completely in my lane, but I have been with him, so I understand his views on that.

And I think he looks forward to working with the House and Senate on a very important issue there.

Senator CARPER. Well, if you do not share his views on comprehensive immigration reform, I would just ask that you mentor him a bit. Thank you.

The CHAIRMAN. Senator Cardin?

Senator CARDIN. Mr. Mnuchin, first of all, thank you very much for being willing to serve your country. I appreciate it very much.

I want to just follow up quickly on Senator Carper's point on the IRS. You do have allies on both sides of the aisle who will help you. There are good, professional people who work there under very difficult circumstances. There are not enough people there. So I hope you will be effective with President-elect Trump, because I understand he is calling for a freeze. I am not sure how that coincides with your desire to make sure you have adequate personnel at IRS, but I assume that you will have an opportunity to talk to the President and hopefully get the number of people you need, because they cannot do the job with their current workforce.

Mr. MNUCHIN. I can assure you that the President-elect understands the concept of where we add people and where we make money.

Senator CARDIN. Good.

Mr. MNUCHIN. He will get that completely. That is a very quick conversation with Donald Trump.

Senator CARDIN. Great. I want to follow up on Senator Wyden's point on a couple of issues. First, I have another role in the Senate. I am the ranking Democrat on the Senate Foreign Relations Committee, so I want to deal with sanctions for one moment.

I heard you in regards to enforcing the sanctions, particularly those that are aimed at dealing with those who sponsor terrorism. We also have sanctions against countries that are violating international norms on democratic principles. Russia is top on that list.

And I am going to ask you questions for the record as to your views on the current sanctions and strengthening the sanctions. We have bipartisan legislation to strengthen the sanctions, particularly with respect to Russia's attack against America's democratic election institutions.

But I want to make sure I understand. You are committed to enforcing the sanctions against Russia?

Mr. MNUCHIN. A hundred percent so, and I think the President-elect has made it very clear that he would only change those sanctions if he got, quote, "a better deal" and we got something in return, whether it was on nuclear arms or other areas.

But yes, Senator, I have talked about this in—

Senator CARDIN. And in response to the question that was asked about using the IRS, to make sure it is not used for partisan reasons, you will enforce these sanctions without regard to a person's party affiliation or office?

Mr. MNUCHIN. Of course. I think terrorism—and supporting terrorism and supporting illegal activities—is the most important issue, and I hope that is a bipartisan issue. And where there are sanctions, I assure you, I will use them to the maximum amount allowable by law.



Senator CARDIN. And I appreciate that answer. Senator Warren and I are going to be sending you a letter, if you are confirmed, to investigate the allegations that Mr. Scaramucci, who was recently named as the White House Director of Engagement and Intergovernmental Affairs and a senior adviser to the President, may very well have violated the sanctions against Russia in his dealings. And I expect that you would investigate this issue to see whether there was a violation of the sanctions law.

Mr. MNUCHIN. Of course, anything that you send to me, I will either investigate myself or make sure that my staff properly investigates. I would do that a hundred percent.

Senator CARDIN. I thank you for that. I want to follow up on a second point of Senator Wyden's, which really has me concerned. And that is, you pointed out that you would treat, in your international role, an American company that is dealing in the foreign markets equally, even if it is a Trump enterprise entity.

You are taking an oath to defend the Constitution of the United States. In the Constitution of the United States, there is the Emoluments Clause. And you have to make sure that if you are dealing with a Trump entity, that it is not getting a favor in exchange for trying to influence the President of the United States or the Trump administration.

So how do you go about knowing that there are no special breaks being given to a Trump enterprise if you do not have full access to that type of information?

Mr. MNUCHIN. Well, Senator, let me first say, and I think we all acknowledge this, whichever side we are on, that we are in a unique situation where we have a President who has the vast amount of money that he does and all these issues.

Senator CARDIN. We know that. But of course, he is not doing what every other President has done, every other President, which is to set up a blind trust and divest. What you are doing, if you are confirmed, is divesting. That is what is required. He is not doing that.

So my question to you is, how do you, if confirmed, deal with compliance with the Constitution to make sure that a Trump enterprise is not getting special treatment which would violate our Constitution?

Mr. MNUCHIN. Well, Senator, let me first say—and I think this is a very important issue for the American public, so I can understand why you are asking it—but let me first say I know that the President-elect is absolutely following the law and is committed to following the law and has set out a series of, although it is not a blind trust, he has removed himself from his business. He has put his sons in charge of his business. He is committed that there will be no communication.

Senator CARDIN. But is he still—

Mr. MNUCHIN. Excuse me, one second. He has put—he is going to hire an ethics officer. And I can assure you that in my job of Treasury Secretary, whatever responsibilities I have to monitor these issues, which are very important, I can assure you that I will do.

Senator CARDIN. But what you did not answer is—and we will follow up with some additional questions for the record—how do

you determine, to make sure, there is not a break given to a Trump enterprise, which would violate our Constitution? I understand he has to comply with the law, but the Constitution is the supreme law of the land.

Mr. MNUCHIN. Well, as you know, I have employed lots of lawyers, but I am not a lawyer. But the good news is, we have a big group of lawyers in the Treasury Department and a big ethics group, and I can assure you that we will make sure that we absolutely follow the law and the Constitution.

And I have every reason to believe that the President-elect absolutely wants to adhere to it and will do so.

Senator CARDIN. Thank you.

The CHAIRMAN. Senator Brown?

Senator BROWN. Thank you, Mr. Chairman.

And, Mr. Mnuchin, thank you. And thank you for the conversation in my office about taxes—

Mr. MNUCHIN. Thank you for meeting with me. I appreciate it.

Senator BROWN [continuing]. In China and banking issues. And I will start with this. Let us clear up one thing. Banks are not, in your words, “highly incented” to do modifications for their borrowers. That is why we had a systemic breakdown. It is why so many families lost their homes, and banks were forced to pay billions of dollars in fines and remediation.

So put that aside; I do not want to talk about your situation. I understand your defensiveness, both in individual meetings, mine and others’, and in this committee, about what happened at OneWest. But let me lay this out.

In 2006, businessman Donald Trump responded to a question about the possibility of a real estate crash by saying, quote, “I sort of hope that happens, because then people like me would go in and buy.”

Now, you did not just buy properties, you bought the bank; you bought the ability to help families stay in their homes. That is not what you did, so my questions are these. You have been saying that OneWest—let us assess, look at the record, I really want “yes” or “no” answers because I have a lot of questions. And what I will say is factual in my view; I would like you to confirm with “yes” or “no.”

Is it true that community groups say that OneWest, specifically the California Reinvestment Coalition, foreclosed on 60,000 families nationwide and denied three-fourths of mortgage modification applications?

Mr. MNUCHIN. I am not aware of that. I know they have objected to—

Senator BROWN. Well, they did. They did. Okay, is it true that—

Mr. MNUCHIN. Well, if you know they did, then why are you asking me that?

Senator BROWN. Well, because I want to hear it from you. If you do not know it, that tells me something too.

Mr. MNUCHIN. Well, I do not have it in front of me.

Senator BROWN. I am going to keep interrupting because we do not have a lot of time. I apologize if you see that as rude, but this is the people’s business.

Mr. MNUCHIN. I do not see it as rude. That is okay; thank you.

Senator BROWN. Is it true that OneWest regulators, that is the OCC, said that you had deficient mortgage practices, foreclosed on 10,000-plus borrowers without proper procedure and on at least 23 who were current on their mortgages?

Mr. MNUCHIN. So what I would say is, we followed the same procedures—

Senator BROWN. “Yes” or “no,” did the OCC say that?

Mr. MNUCHIN [continuing]. That the FDIC followed. We inherited the FDIC procedures.

Senator BROWN. Yes, the OCC has said that.

The CHAIRMAN. Let him answer the question.

Senator BROWN. Is it true that OneWest’s independent audit firm said that it violated the Service Members’ Civil Relief Act by initiating foreclosures on 54 active duty military families? That is what the independent audit firm said. “Yes” or “no”?

Mr. MNUCHIN. Well, you have the document in front of you; I do not. Okay?

Senator BROWN. Okay, well, they did.

Mr. MNUCHIN. And let me just say—

Senator BROWN. I am pretty surprised, Mr. Mnuchin—I am sorry, but I am pretty surprised you do not know these things, because you have been rather defensive, for probably good reason, about what happened at OneWest. Is it true that the California Attorney General—

Mr. MNUCHIN. I do want to just comment for the record. We unfortunately did foreclose on certain people in the military. It was quite unfortunate. It was inappropriate. We responded to those people and made them whole.

As I have said, every single person had the opportunity to have their mortgage reviewed, and we corrected any errors. Our errors were less than anybody else’s. So it is not that I am being defensive.

Senator BROWN. Well, yes, perhaps. Okay, I am going to cut you off again. I apologize.

Mr. MNUCHIN. I am proud of our results.

Senator BROWN. Well, I would not be proud of all these findings. But is it true that the California Attorney General’s Office said that OneWest backdated 96 percent of the documents they examined and then you aggressively obstructed their investigation? That is what the Attorney General’s office said. Did they say that?

Mr. MNUCHIN. So first, let me comment that I saw the leaked memo, as you did. I think it is highly inappropriate that somebody at the Attorney General’s office would leak internal—

Senator BROWN. So is there no truth in that about backdating 96 percent of those?

Mr. MNUCHIN. Again, what I would say is, the primary regulator was the OCC. They were the ones who had the obligation to regulate us.

Senator BROWN. And OCC said those things that you could not—Mr. Mnuchin, I am sorry. OCC said you had these deficient mortgage practices, but you could not remember when I asked you about OCC.

Mr. MNUCHIN. No, that is—

Senator BROWN. Now you are citing OCC in response to California's Attorney General. Is it true that one of the employees who was in charge of the modifications, one of OneWest's employees, has accused OneWest of not having any process in place to help its 3,000 FHA and VA mortgage borrowers avoid foreclosure and that this same employee, who was in charge of modifications, has accused OneWest of not having a process in place to help those VA mortgage borrowers avoid foreclosures and submitting false claims?

Mr. MNUCHIN. It seems to me, in all due respect, you just want to shoot questions at me and not let me explain what are complicated issues.

Senator BROWN. Well, I will let you explain after I go through the questions, because I know one answer will take my whole time. So I will let you explain when I am done with this.

Mr. MNUCHIN. Well, then—

Senator BROWN. Mr. Mnuchin—I am sorry, Mr. Chairman.

Mr. MNUCHIN [continuing]. Let people at least understand that these are complicated questions.

Senator BROWN. They are complicated.

Mr. MNUCHIN. Let me at least explain them, otherwise there is no point in shooting them all at me when I do not have the ability to respond.

Senator BROWN. Okay, you do not, but all of these are factual things, if you want to follow up with a response later in more detail.

One example of—and you can answer this and take as long as you need—one example of an insider loan was the Relativity Media deal. The FBI denied a FOIA request related to Relativity Media where you were co-chair, citing enforcement procedures. Have you been questioned by law enforcement on this, “yes” or “no”?

Mr. MNUCHIN. I have not. And I saw that you wrote that letter yesterday. I assume that the FBI did a thorough review of my background report. I have no idea why they did not approve the FOIA issue. I have been told that we have no reason to believe it is any issue associated with me.

Senator BROWN. Fair enough.

Mr. MNUCHIN. But you should direct that to the FBI.

Senator BROWN. Okay, and I will.

Mr. MNUCHIN. And when I had the opportunity to meet with you—

Senator BROWN. And I accept your answer that you are not being investigated. But I find it interesting that you know about the letter I sent yesterday. The letter I sent with all those questions detailing all of the issues that I just asked about with Bank West, West Bank, Bank West—

Mr. MNUCHIN. OneWest, Senator, OneWest.

Senator BROWN. OneWest, I am sorry; OneWest, OneWest, I apologize.

Mr. MNUCHIN. That is all right; my father forgot the name sometimes as well. [Laughter.]

Senator BROWN. Okay, good. But the letter I sent you back in early mid-December about this, you have not even taken the time to answer, and it really laid out all those issues.

I think the issue is, the OneWest purchase went well for the Treasury Secretary designee, but it was a disaster for homeowners, for employees, for investors in Relativity, and for taxpayers. We can talk more about taxpayer cost on this whole process and the amount of money that he bought it for, sold it for, but it was mostly subsidized by taxpayers.

The CHAIRMAN. Okay, Senator, your time is up. Now, you take as much time as you want to answer the questions.

Mr. MNUCHIN. Mr. Chairman, thank you. Thank you very much. First of all, Senator, I did enjoy meeting you.

Senator BROWN. Thanks.

Mr. MNUCHIN. I do not believe we had the opportunity to meet before that time. And if I am confirmed, I look forward to spending more time with you.

Senator BROWN. Thank you for saying that.

Mr. MNUCHIN. I know that you have some—although we may not agree on everything, there were certain things we did agree on when we met. And I have a lot of respect for you as a Senator to hear your issues.

Now, I did tell you, I did acknowledge that you sent me the letter. I was advised by the staff that the appropriate thing was for me to come here and answer questions or meet with all of you independently and answer questions that you have. And if I do not satisfy that, you have the ability to submit questions afterwards, which I will respond to.

When I came to your office, I told you that, and I said that I would spend as much time with you as you wanted answering those questions, that they were quite significant, you know, because I knew they were complicated. So I did tell you, although I would not respond to them in writing at that point, that I did understand your questions and I wanted to address them.

The CHAIRMAN. Senator Thune?

Senator THUNE. Thank you, Mr. Chairman.

Mr. Mnuchin, welcome.

In the last 8 years, we have not had a single year where the growth rate has exceeded 3 percent. And a lot of the administration, the current administration, describes that as the new normal. Tell me, what do you think is a reasonable expectation in terms of the growth rate in our economy?

Historically, if you go back to World War II, we have averaged about 3.2 percent a year. What do you think is a reasonable growth rate?

Mr. MNUCHIN. Hang on; I am just looking at some of my notes. I mean, the short answer is, I have said publicly and I believe that we should be able to get to 3 percent sustained GDP. I think that that is absolutely important.

I think that as a country, the most important issue we have is economic growth, that whatever issues we have as Republicans or Democrats, I think we can agree that, with more growth, it is a lot easier to solve these issues. And we should all be focused on things that help grow the economy.

In 1984, we had 7 percent. In 1998, we had 5 percent. And in 2005, we had 3 percent. That was the last time we had appropriate

growth rates. So I share the President-elect's concern of low growth.

Our number-one priority, from my standpoint, is economic growth. And I can assure you, I will work tirelessly, if I am confirmed, to create growth in the economy and create pro-growth programs. And I commit to work with all of you on that. I believe that tax reform will be our first and most important part of that.

Senator THUNE. Yes. And the President-elect has identified tax reform, reg reform—lessening the regulatory burden too. Those are two areas that I think we can pursue to unleash the economy and achieve a higher level of growth.

To what degree do you think that regulations, and particularly the heavy volume of regulations coming out of this administration, have had an impact on small business? Even yesterday, the Obama administration proposed a 277-page regulation on partnership audit rules that affects pass-through businesses, farmers, small businesses, the folks I represent.

And in September, we sent a letter to Secretary Lew trying to get him to withdraw some regulations that dealt with valuation discounts that impact estates and make it very difficult for a small business or a farmer or rancher to pass that business on to the next generation.

When you get over there, are you going to, hopefully, look at withdrawing those types of regulations as quickly as possible and undo a lot of the economic harm? I think, frankly, this is part of what has adversely impacted the growth rate in this economy.

Mr. MNUCHIN. Absolutely. And I will tell you, both I and the President-elect believe in appropriate regulation. But in many, many areas of the economy, not just in financial services, there is excess regulation that is inhibiting jobs and growth and hurting the American workers. And we are committed.

And specifically on what you have mentioned, on the IRS regs on family businesses, I am committed to work with you and your office.

You know, we want to make sure that we cover the appropriate loopholes so that if people have businesses set up to avoid taxes, and they are not a real operating business, it is one thing, but for any operating business, we need to make sure that for people who own minority interests in operating businesses, the valuation for tax purposes is reflected appropriately.

And anybody who follows the markets knows that there is a significant difference between control and non-control. And you know, the IRS should follow fair valuations. So we should make sure we collect the most money and not have lots of loopholes, but on the other hand, we need to reflect fair valuations.

Senator THUNE. Okay. Senator Cardin and I chaired, in the last Congress, a working group on business tax income. And one of the issues that came out of that working group is, if we get into comprehensive tax reform, and I hope that we do, how do you treat pass-through businesses? To me, that is one of the most important questions.

Ninety percent of the businesses in this country are organized as pass-throughs. Fifty percent of net business income is generated by

pass-throughs, and they employ about 55 percent of the people in this country.

And so, as we think about tax reform, I guess I am asking you if you would commit to work with us to ensure that pass-through businesses are treated fairly and that whatever we come up with in terms of policy reflects the economic impact that LLCs and partnerships and subchapter S corporations that are organized as pass-throughs have on our economy.

Mr. MNUCHIN. Absolutely. And not only am I committed to it, but I have actually spent a lot of time on this issue already. I have worked with the trade group that follows small businesses, and not only did they support the Trump economic plan, which I helped design, but they were kind enough to write a letter of support for me to the committee.

And I think the important issue on pass-throughs that we are committed to is that we want to make sure that there is a business tax—this is not just a corporate tax—that there is a business tax.

If there are large pass-throughs that earn tens of millions or hundreds of millions of dollars, we want to make sure that they keep the money in the company as an incentive and that they do not use pass-throughs as a way to get lower taxes than they would pay in personal income tax.

And we want to make sure that hedge fund managers do not use pass-throughs, again, to avoid what would be higher personal income taxes.

But we are absolutely committed, and we have spoken to many small businesses and entrepreneurs to make sure that they are protected and they get the benefit of the business tax.

So I appreciate your concern. We have heard this loud and clear on the campaign trail. And I can assure you, it is something we are committed to work with you and your office on.

Senator THUNE. Good, thank you. Keep that focus on growth. That is what we want, to get that growth back up.

Mr. MNUCHIN. Thank you.

Senator THUNE. Thank you.

The CHAIRMAN. Senator Toomey is next.

Senator TOOMEY. Thank you, Mr. Chairman.

And, Mr. Mnuchin, thank you for joining us. I enjoyed our chat the other day, and I appreciate your willingness to serve in this extremely important post.

Mr. Chairman, I want to thank you for observing some not-too-distant history: the fact that our current Treasury Secretary had investments in the Cayman Islands. And maybe my memory fails me, but I do not remember the outrage from my colleagues on the other side when it came to his circumstances. So there seems to be a bit of a selectivity on the part of that.

I want to just briefly go back to a point you made earlier, Mr. Mnuchin, because I think it is very important, especially for the benefit of those among us who have no experience in banking at all. But you made a point that I think is really, really important. I have never heard of a bank that would not prefer loan modification every time over foreclosure, not only to avoid the misery that results for their customer, but also because foreclosure almost guarantees locking in substantial losses for the bank.

Would it be fair to say that virtually any time that it is possible, your bank would have preferred a loan modification for the borrower?

Mr. MNUCHIN. Absolutely. And as I said, we ran a net present value test that was established by the U.S. Treasury assumptions. And we put in the assumptions. Any time we could collect more money by doing a modification, we were allowed to do a modification. And by definition, we were incented to do a modification.

Senator TOOMEY. Right.

Mr. MNUCHIN. And by the way, I think we would have done those modifications even if we had not received the HAMP incentives from the U.S. Government, which on our FDIC loans we rebated to the FDIC. So banks are incented to do this, whether they get the subsidies from the Treasury or not.

Senator TOOMEY. Thank you.

There are a couple of things I want to touch on quickly, if we could. On the trade front, the President-elect has indicated an interest in revisiting trade agreements. Some of them were negotiated a long time ago. And I am sure there are things that could be modernized and updated.

But would you agree that it would be a mistake to evaluate whether or not a trade agreement is a good one solely by looking at whether or not we have a trade deficit with the country in question? Would it be a mistake to make that the sole criteria?

Mr. MNUCHIN. I would agree with that.

Senator TOOMEY. Okay, good. Also, would you agree that many of the periods of strong economic growth that we have had in recent decades have corresponded to periods of a strong dollar and that often, if our economy is performing well and the world perceives our economy to have a bright future, the inevitable result will be a stronger dollar?

Mr. MNUCHIN. Yes. Let me just comment on that, because I think that the U.S. currency has been the most attractive currency to be in for very, very long periods of time. I think that it is important, and I think you see that more than ever. The currency is very, very strong. And what you see is people from all over the world wanting to invest in the U.S. currency.

I think when the President-elect made a comment on the U.S. currency, it was not meant to be a long-term comment. It was meant to imply that, perhaps in the short term, the strength in the currency, as a result of free markets and people wanting to invest here, may have had some negative impacts on our ability to trade.

But I agree with you: the long-term strength over long periods of time is important. And again, that is a reflection of, I believe, the fact that we have the most attractive investment environment in the world.

Senator TOOMEY. Right.

Mr. MNUCHIN. And we just have to protect our U.S. companies so that they are not forced abroad.

Senator TOOMEY. The last point I want to make, running low on time here, is that the many failures of Dodd-Frank, in my view, include title II, which I believe is a codification of a mechanism to require future bailouts from taxpayers in the event that a large financial institution should fail again.



Would you share my view that it is much more desirable to amend the bankruptcy code so that we could handle the resolution of a large, complex financial institution through bankruptcy and not ever have to go to taxpayers to bail out big banks?

Mr. MNUCHIN. Well, I 100-percent agree with you that we should not be in the business of bailing out big banks. And I 100-percent agree with you that I share certain concerns on title II. I think we need to look at the bankruptcy code and what we can do as an alternative.

But I would just comment that the bigger issue is, for long, long periods of time, the FDIC was able to take over and resolve banks when the regulators determined that there were issues. And one of the big problems we had during the financial crisis was the intermingling of banks and holding companies and complex securities.

So I do not necessarily—I think if we have proper regulation, a lot of the need for title II also goes away.

Senator TOOMEY. I see I have run out of time. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Bennet?

Senator BENNET. Thank you, Mr. Chairman. Thanks for holding this hearing. Thank you, Mr. Mnuchin, for your willingness to serve and for our meeting yesterday.

Just for clarity, *The Wall Street Journal* yesterday wrote “dollar sinks as Trump talks it down.” Do you believe the dollar is too strong?

Mr. MNUCHIN. Again, I believe in the short term—

Senator BENNET. As Treasury Secretary, are we ever going to hear you say that the dollar is too strong?

Mr. MNUCHIN. As Treasury Secretary, I do not see it as my role commenting on the dollar on short-term movements. I have commented on what I believe are the long-term—

Senator BENNET. Let me ask you a different question. In 2011, due to the dysfunction in Congress, we almost failed to raise the debt ceiling here. And as a result, a rating agency downgraded our Nation’s debt for the first time in history. The stock market lost 17 percent of its value and did not recover for almost a year. And consumer confidence fell 22 percent in just a few months—a completely self-inflicted wound on the American economy. This unfortunately hurt Americans’ retirement savings and dealt a blow to both growth and job creation.

During the campaign, Mr. Trump suggested he could somehow refinance or renegotiate our existing debt. While he walked away from the idea initially, later in the campaign he again suggested the country could pay our creditors less than what they were due.

Specifically, he said, quote, “You go back and say, hey, guess what, the economy just crashed, I am going to give you back half.” He also suggested that the United States never has to default, quote, “because you print the money.”

Do you agree with these statements?

Mr. MNUCHIN. Senator, first of all, thank you for asking the question about the debt ceiling, which I do want to comment on because I—

Senator BENNET. Good, because I have another question on the debt ceiling.

Mr. MNUCHIN [continuing]. Think it is a very important issue for all of us. And if I am lucky enough to be confirmed, it will be something that I will—

Senator BENNET. Okay. Please do not filibuster. I appreciate that.

Mr. MNUCHIN. The President-elect has made it perfectly clear, and I think it is perfectly clear, that honoring the U.S. debt is the most important thing.

Senator BENNET. Okay, so—

Mr. MNUCHIN. And I hope that when we get to the point, if I am confirmed, where we have to raise the debt ceiling, that we will not go through another one of these issues, because there are certain things that I would have the power to postpone, but I firmly believe the U.S. has the obligation to honor its debt.

Senator BENNET. Okay. Then, can you commit to working with the Congress to pass a clean debt ceiling?

Mr. MNUCHIN. I will commit to absolutely work with the Congress, the House and the Senate, so that we do not get to the last minute and run out of money.

Senator BENNET. Is that a “yes,” you will commit to passing a clean debt ceiling?

Mr. MNUCHIN. I do not know your technical issue of what a clean debt ceiling is—

Senator BENNET. The debt ceiling—

Mr. MNUCHIN [continuing]. But let me be clear, I would like us to raise the debt ceiling sooner rather than later—

Senator BENNET. That is clear enough for me. Thank you.

Mr. MNUCHIN [continuing]. So that we do not run a risk of defaulting on our obligations.

Senator BENNET. I am grateful for that answer.

Mr. MNUCHIN. Thank you.

Senator BENNET. The nonpartisan Tax Policy Center found that President-elect Trump’s tax plan would increase the debt by \$7.2 trillion over 10 years. The President-elect has also proposed increasing defense spending and said that he will not touch entitlements, like Medicare or Social Security. So far he has only suggested reducing spending on nondefense discretionary spending.

In 2015, as you know, nondefense discretionary spending comprised about 16 percent of the budget, about \$583 billion. This includes funding for veterans’ benefits, transportation, our national parks, and our investments in research. So even if we did not spend a single penny on any of these priorities for an entire year, which I would not suggest, but even if we did not, that would only pay for about 8 percent of Mr. Trump’s tax plan.

Is a tax plan that increases the debt by \$7.2 trillion an acceptable outcome to you?

Mr. MNUCHIN. I believe the \$7.2-trillion number was the first tax plan and not the second tax plan. I believe it scored dynamic, closer to \$2 trillion.

Senator BENNET. The first tax plan was \$11 trillion. The second, I think, was \$7.2 trillion.

Mr. MNUCHIN. Well then, you must be referring to static and not dynamic. The dynamic number was closer to \$2 trillion.

Senator BENNET. The dynamic was \$3.6 trillion. So in any case, what we are doing is adding mountains of debt.

Mr. MNUCHIN. Let me just comment that I have discussed the debt with the President-elect. We are both concerned that we have gone from \$10 trillion to \$20 trillion of debt. We think that the way to reduce the debt is by economic growth. And that will create the opportunity for us to pay down the debt.

Now, let me just make a comment on the tax plan.

Senator BENNET. So just to be clear on that, though, Senator Thune said, well, in our history the average growth rate we have seen is about 3.2 percent. It would be great to get to 4 percent—you said between 3 and 4—but there is no way that is going to fill the gap that is projected in these tax plans.

And I can accept the fact that the President-elect may have changed his mind or you differ with him. I am just trying to understand whether you would find it acceptable to bury the American people under this kind of proposed debt.

Mr. MNUCHIN. Again, I think, as you know, we had a rather modest campaign staff relative to the other people out there, so one of the things I look forward to, if I am confirmed, is having access to all the people at Treasury who model these things.

So we were forced—we had some internal models—but we were forced to rely upon external models. Certain of the assumptions we agreed with; certain of the assumptions we did not agree with.

I think what is important is that President-elect Trump has a pro-growth economic tax plan. And we are sensitive to the costs of that plan.

Yesterday, I did have the opportunity to meet with Senator Wyden, and we talked about the process for tax reform. I will be the person from the administration taking the lead on that, and I would look forward to working with the House and the Senate, both Republicans and Democrats, to move forward on tax legislation.

Senator BENNET. I am out of time, Mr. Chairman. I realize that. I want to just make one observation, which is that Mr. Mnuchin, in fairness to him, has twice praised the employees at the Treasury Department today. And I just want to say that that is a refreshing and welcome change from what we have heard up until now in a lot of these hearings.

The CHAIRMAN. Senator Isakson?

Senator ISAKSON. Thank you very much, Mr. Chairman.

Mr. Mnuchin, welcome. I am sorry I have been in and out of the room, but I have been listening outside while I have been outside—

Mr. MNUCHIN. Thank you.

Senator ISAKSON [continuing]. So I think I am pretty much up to date.

And I am really going to talk to you about something I had not prepared myself to talk about until I heard some of the other questions and testimony that went on. I want to talk about mortgage-backed securities—Fannie Mae and Freddie Mac—in 2008.

Your purchase of IndyMac was in 2008, is that correct?

Mr. MNUCHIN. Yes, it was in December of 2008 we committed to it.

Senator ISAKSON. And the beginning of the crisis really was in July of 2008 when Merrill Lynch drove down their portfolio of subprime securities by 71 cents on the dollar. Is that not correct?

Mr. MNUCHIN. I think that is correct.

Senator ISAKSON. And it started a domino effect around the world that collapsed the mortgage-backed securities and their value. Is that not correct?

Mr. MNUCHIN. That is correct.

Senator ISAKSON. When you purchased IndyMac, it had a number of those loans in its portfolio, is that correct?

Mr. MNUCHIN. It had a portfolio of mortgage-backed securities.

Senator ISAKSON. Mortgage-backed securities, within which were included those loans.

Mr. MNUCHIN. Yes, that is correct.

Senator ISAKSON. Because what Wall Street did is, Wall Street packaged loans and put them into a security and then marketed them based on a high yield. Is that not correct?

Mr. MNUCHIN. Yes. Well, what actually happened in the case of IndyMac is, they had securitized the loans themselves. They created their own securities. The market backed up, they could not afford to sell them, and they got stuck keeping them.

So in many cases, most of the mortgage-backed securities we had, they did not buy. Most of them were failed sales.

Senator ISAKSON. Is it not true that Freddie and Fannie guaranteed and assured loans, pretty much at the direction of the Congress of the United States? When it came to the affordable housing loans, is it not true that Congress directed them to have a larger percentage of affordable housing loans in their portfolio?

Mr. MNUCHIN. Absolutely, and I believe that is, unfortunately, what led them to buy a lot of bad loans.

Senator ISAKSON. What I want everybody to understand when they are talking about these mortgage issues—I was in the real estate business for 31 years and was, of course, in Congress at the time this went on.

But what happened in a lot of these loans is that they were made because of the inducement or the direction of Congress to take more of them. What was called an affordable housing loan ended up being a subprime loan, if you will, which ended up being a high-risk loan, which ended up having a high interest rate on it, which with a high coupon was packaged together into securities and then sold around the world. Is that not correct?

Mr. MNUCHIN. It is true. I mean, these loans had all different types of acronyms. They were low docs, they were subprime. They just should have been called bad loans. That is what they were.

Senator ISAKSON. And your IndyMac, as I remember and I recall, tried everything it could to recalibrate those loans, restructure those loans, and renegotiate those loans to keep as many as possible from going into foreclosure. Is that not right?

Mr. MNUCHIN. That is true. And not only for the loans that we owned, but loans that we serviced for Fannie Mae and Freddie Mac. As a matter of fact, the one person who came to my home and protested at my home, it was a Fannie Mae loan, and I was not able to do anything about that. And it was through my multiple

calls to Fannie Mae that I was able to get a loan modification for that person.

But many times people thought we owned the loans, and we did not. They were owned by Fannie Mae and Freddie Mac and other security holders.

Senator ISAKSON. And the main point I want to make for the sake of this argument—and I am sure a lot of the questions you are going to get—is, a lot of these loans were originated at the auspices of or with the encouragement of the United States Government and the Congress of the United States. And they were called affordable housing loans.

A lot of people bought those loans that had been made by somebody else when they bought an institution, so they inherited the problem; they did not originate the problem.

There is a world of difference between originating a loan and buying a loan, is that not correct?

Mr. MNUCHIN. That is correct. I can assure you that the loans that we originated on the mortgage side going forward were good loans and had nothing to do with those terrible legacy loans. So thank you for pointing that out.

Senator ISAKSON. That is the important point. Because if you originate something, you own it. If you acquire something that is a bad debt or a bad piece of paper, shame on you for buying it, but it is not your problem for creating it. And that is the important thing to know, is that not correct?

Mr. MNUCHIN. That is true, Senator. Thank you.

Senator ISAKSON. And when I say “shame on you,” I do not mean shame on you in that you did something wrong. I mean shame on you in that you inherited something that was wrong by buying something that was good.

Mr. MNUCHIN. Yes, I understood that. Thank you for pointing that out.

Senator ISAKSON. One last point. I hope I have made that as clear as I could. One last point. I have been told by my State Director of Revenue that the IRS is not sending out or that the Federal Government is not sending out W-2 forms to the State revenue departments in the United States. Is that not correct?

When you become Treasury Secretary, I would hope you would pay attention to that and try to direct them to start going back to doing that, because the only way we can keep bogus loans from intruding into our portfolios is for people to get back their income tied to their Social Security and for the Federal Government to get their report on that at the same time.

So if you would work on seeing to it that those practices are ended somewhere around the country, I would appreciate it greatly.

Mr. MNUCHIN. Thank you. I will be committed to work with you and your staff on that. That sounds like a very important issue.

Senator ISAKSON. Thank you for your willingness to serve, and congratulations on your nomination.

Mr. MNUCHIN. Thank you, Senator.

The CHAIRMAN. Senator Heller?

Senator HELLER. Thank you, Mr. Chairman.

And, Mr. Mnuchin, to you and your family, welcome to the hearing today.

Since the beginning of the Great Recession, no State was hurt harder than the State of Nevada. And you are probably well-aware of that. We led the country in bankruptcies, foreclosures, and unemployment, so you can imagine that we are a little sensitive as to who becomes the next Treasury Secretary, having gone through that over the last 8 or 9 years.

You came into my office on January 4th and we had a good discussion, and I appreciate the visit. I asked you some questions, and I would like to ask you the same questions today.

One question was, how many Nevada homes were in OneWest Bank's portfolio?

Mr. MNUCHIN. Unfortunately—and I will go back and request that information from the bank—I no longer have that information. But I will work with the bank to try to get that for you.

Senator HELLER. How many Nevadans did OneWest Bank foreclose on while you owned the bank?

Mr. MNUCHIN. Again, I have the information that is in public reports. But I am absolutely committed to go back and get that information for you from the bank. So I apologize; I do not have that with me today.

And I do appreciate how hard your State was hit in the foreclosure crisis.

Senator HELLER. Do you know how many Nevadans OneWest Bank provided assistance to through loan modifications?

Mr. MNUCHIN. Again, I will go back and try to get all that information for you.

Senator HELLER. Here is the reason why I asked you these three questions over again: it is that this is the seventh time I have asked. So I asked you when you were in my office—and I had my staff follow up on it—three times by text, and twice by phone, and we still cannot get the answers to these questions. And I am not quite sure with 2 weeks—well, your own comments were that you guys had responded to 5,000 pages, 5,000 pages of questions asked. Why were these three questions not asked if you had 5,000 pages of questions that you answered?

Mr. MNUCHIN. Well, first of all, let me apologize to you, because I do recall you asking them in your office. And there is no excuse that they have not been answered. I was not aware that my staff also got those questions, so I apologize to you. And I assure you personally that as soon as I get out of this hearing, I will request that information from the bank.

You know, we are responding to a lot of other information, so I apologize. This is important to you, and you have my commitment that we will get that.

Senator HELLER. In 2008 when OneWest purchased IndyMac, can you tell me what motivated that transaction? Was it a way to save the bank? Was it a way to make money? Or was it a way to keep people in their homes, or was there some other reason?

Mr. MNUCHIN. I think it was all three of the above. So, I saw the opportunity—I thought that there was going to be a banking crisis, and I saw the opportunity where we thought we could turn around the regional bank and turn it from what was a lousy mortgage

bank into an attractive regional bank and that there was the opportunity to have an attractive investment as well.

Obviously, I had to convince my investors that they would make money, but I saw it as also a great goal of building a business.

Now, I just want to comment that, yes, my investors made a lot of money on OneWest, but I would just comment that, if we had just invested in JPMorgan and Bank of America and a handful of other stocks, we would have made a lot more money and I would not have had to work nearly as hard.

So a big part of the financial return ultimately was, we invested in the market at a very, very depressed period of time.

Senator HELLER. Were you motivated—or let me ask it this way. Was it an objective of OneWest Bank to foreclose on Nevadans in order to receive compensation from the FDIC in their shared loss agreement?

Mr. MNUCHIN. No, quite the contrary. So again, when we bought IndyMac from the FDIC, it was inherent in these agreements, we committed to do loan modifications. So when we bought the bank, that was the agreement.

Again, as I have said before, we were proud of loan modifications started there. And we actually had a bunch of incentives, whether it was HAMP incentives or other things, in the loss share agreement where it was actually much better for us to do loan modifications.

So as I have said before, I can assure you that what prevented us from doing more loan modifications was either the net present value test or was what the qualifications were. So we were required to get updated income, and people had to be able to effectively requalify for the loan.

So as I have said before, not only from a social basis did I want to keep people in their homes, but we were economically motivated to do that.

Senator HELLER. How much did the FDIC pay OneWest for the losses?

Mr. MNUCHIN. What do you mean by, how much did they pay us for the losses?

Senator HELLER. What was the compensation from the FDIC for foreclosing on homes with the shared loss agreement?

Mr. MNUCHIN. So what we did, the way the shared loss agreement worked—and again, I would comment, you know, I think there have been, like, 400 shared loss agreements. I think, according to the FDIC's public data, they believe that they saved \$40 billion by using the shared loss agreements.

Senator HELLER. The answer is \$1.2 billion, \$1.2 billion.

Mr. MNUCHIN. No, but that is after we absorbed \$2 billion of losses. So I just, I want to—

Senator HELLER. So you are not saying that that is not a motivation to foreclose on a home, \$1.2 billion?

Mr. MNUCHIN. No, it is not a motivation, because there were restructuring fees that were put through when we did loan modifications. And we wanted good loans. We were not—again, let me just be clear. We wanted good loans. Having good loans that performed under the loss share agreement was absolutely critical.

Senator HELLER. One more question. Did OneWest Bank specifically target minority communities in Nevada for foreclosures?

Mr. MNUCHIN. Absolutely not.

Senator HELLER. Mr. Chairman, my time has run out.

The CHAIRMAN. Senator Casey?

Senator CASEY. Mr. Chairman, thank you very much.

Mr. Mnuchin, I appreciate you being here with your family.

And I want to start with a subject that you have already answered some questions about: the issue of mortgage foreclosures, but also modifications.

I am holding in my hand, I guess a 4-page, if you look at both sides, document entitled—and this is Channel 4 in Pittsburgh, an investigative report just announced this week—quote, “Trump pick for Treasury Secretary foreclosed on hundreds of homeowners in western Pennsylvania.” And it is dated January the 16th.

Mr. Chairman, I would ask consent to have this be part of the record.

The CHAIRMAN. Without objection.

[The article appears in the appendix on p. 99.]

Senator CASEY. Let me just read you part of it, Mr. Mnuchin, because I know sometimes when these reports refer to individuals, you may know them, you may not. I am not going to ask if you know this person.

But here are just a couple of excerpts, according to Channel 4 in Pittsburgh: “Nellie Mlinek lost her husband to cancer, lost her son to an overdose, and then she lost her home to OneWest Bank.” She says, and I am quoting from her words here, “One thing I will never get over is my son’s death.”

She lives in Westmoreland County, just a little bit east of Pittsburgh, in Ruffs Dale, that is the name of the community.

Here is what Nellie hoped would have happened. She said, and I quote, “They,” meaning OneWest, “they should have worked with me to meet a payment that I could make.” The report goes on to say she filed for bankruptcy, but even then could not save her house. She said it caused her, quote, “a lot of depression.” And then it lists a couple of examples from other communities that were foreclosed on.

A house in White Oak was foreclosed on in 2014, a house in North Versailles in 2013, a house in Penn Hills in 2012, a house in Pittsburgh in 2011. But again, the headline says, “hundreds of homeowners in western Pennsylvania.” Depending on where you draw the line, that is probably 10 counties, roughly. So one region of a State of 67 counties.

One of the reasons I highlight that is to, number one, focus on the impact that those foreclosures had on one community and one State, but also to ask you some questions just so I can make sure the record is clear to the extent that we can get to these issues in this line of questioning about modifications and foreclosures.

One of the statements you made in my office when we met—and I appreciated the time we had—you said that OneWest, quote, “did lots of modifications.” And then on the question of foreclosure itself, you said at the time, “we only did 30,000 to 35,000 foreclosures.” Is that correct? Is that—



Mr. MNUCHIN. That was for the period of time that we were talking about: 2009, 2010.

Senator CASEY. So that is just the 2009 and 2010 number.

Mr. MNUCHIN. I believe the 36,000 were 2009, 2010 versus there were 175,000; the 100,000 loan modifications were over a slightly longer period of time.

Senator CASEY. So let me just get this. Over the whole period that you were the leader of OneWest, how many foreclosures total were there nationwide?

Mr. MNUCHIN. I do not have that, but I can find the number. But let me just comment, since there is a lot of talk about this foreclosure business. Again, 93 percent of the loans that we serviced, we serviced for third parties. We sold this business. So again, I never wanted to be in the mortgage servicing business. I did not want to be in the mortgage business. I wanted to build a regional bank.

So OneWest is no longer. We sold years ago the servicing business because we did not want to be in that. We sold that business to Ocwen.

Obviously, the loan that you are talking about, I mean, it sounds like an absolutely horrible situation, and I sympathize for that person.

Senator CASEY. Well, I appreciate it. I only have limited time. Let me get to the second question here on modifications.

There seems to be some discrepancy here about the numbers on modifications. You say in your testimony today, and I am quoting you here at the bottom of page 2, "Ultimately, OneWest extended over 100,000 loan modifications to delinquent borrowers."

Now, "extended" is not the same as a modification, you would agree with me, would you not?

Mr. MNUCHIN. No, no, "extended" means they were put on modifications.

Senator CASEY. But that is not a completed modification.

Mr. MNUCHIN. No, no. Again, they were offered and they were put on a loan modification.

Senator CASEY. But in fact, in fact, according to a document that I will also make part of the record—this is a one-page document from HAMP, the Home Affordability and Modification Program, that, Mr. Chairman, I would ask be made part of the record: "Making Home Affordable: Summary Results." That is the name of the document.

The CHAIRMAN. Without objection.

[The document appears in the appendix on p. 101.]

Senator CASEY. In fact, just permit me to say one more thing, Mr. Chairman. In terms of total modifications, it was really only 22,908. So we will put that into the record. And I will have more questions later. Thank you.

The CHAIRMAN. Without objection.

We will now turn to Senator Cassidy.

Senator CASSIDY. Mr. Mnuchin, nice to see you.

Mr. MNUCHIN. Nice to see you; thank you.

Senator CASSIDY. As you can tell by where I am, I am fairly junior on this panel. I will note, though, you have been somewhat as-

saulted by innuendo, and my sympathies for being assaulted by innuendo.

Secondly, as regards economic growth, I wrote an editorial with a friend in *The Wall Street Journal* a few years ago that showed that if we had had the economic growth from 2001 to 2014 as we had from 1993 to 2000, in 2014 we would have had a \$500-billion surplus despite entitlement spending and despite whatever, as opposed to the \$500-billion deficit we had.

So I appreciate your acknowledgment that pro-growth policies cover a multitude of sins, so, good for you.

Mr. MNUCHIN. Thank you.

Senator CASSIDY. That said, I represent a lot of rural parishes, and there are two things driving economic growth in such parishes: typically utility companies—they want to sell more—and community banks. And since Dodd-Frank was passed—you and I discussed this in my office—the number of community banks has just, like, oh, my gosh, it has just plummeted. “OMG,” as my daughter would say.

So your thoughts as regards, how do we revive the fortune of community banks which, in my mind, is, how do we revive the economic prospects of rural America?

Mr. MNUCHIN. Well, thank you. And first of all, I enjoyed the opportunity to meet with you and talk about a bunch of these issues. And I think—as I have mentioned before, I am very concerned that we have been and continue to be in the business of putting community banks and small regional banks out of business, that the regulatory costs—

Senator CASSIDY. Can I interrupt for a second?

Mr. MNUCHIN. Of course.

Senator CASSIDY. One guy, I do not know what his bank is worth, \$80 million, he told me that he had 64 regulatory visits in a 52-week period. The marginal cost for this small bank—he is thinking, why am I not selling? I am sorry, continue.

Mr. MNUCHIN. No, that sounds about right. From my experience, that is about the right ratio.

So I agree with you completely. And as I have said, if we want to have economic growth—you know, for us to end up with four or five big banks in this country and to be dealing with the “too big to fail” and everything else, or the too big to succeed—we need to have banks. We need to have regional banks, we need to have community banks. Those banks understand the people in the community and can make good loans.

Senator CASSIDY. Now also, related to that and something you were speaking of, I think, with Senator Thune, it does not seem like we have an absence of capital in our society right now. We have a lot of capital.

Mr. MNUCHIN. That is correct.

Senator CASSIDY. It is just that we cannot get capital down to Evangeline Parish for somebody who is an entrepreneur to take that capital and to take his invention and bring prosperity to Evangeline Parish. And you do not need to know where Evangeline Parish is. The fact that you do not know shows that it is a smaller parish in terms of population. So I presume you agree with that.

Mr. MNUCHIN. I do completely.

Senator CASSIDY. Now, related to that, and again—this is something for my edification—I do not know the answer to this. But it strikes me that there are two possible goals of tax reform. One is to create more capital. I think under the Reagan tax cuts, my kind of gestalt of that period is that high marginal rates deprived capital to those who needed it. But it seems as if we have enough capital floating around, although perhaps chokeholded at certain points.

And then the other point of tax reform would be to align incentives. You spoke earlier, I think with Senator Thune, about these pass-throughs. You want to incent folks to keep the money within the business.

Mr. MNUCHIN. That is correct: reinvest it and create jobs.

Senator CASSIDY. Now, would you agree with what I am saying? I am a gastroenterologist, you are the economist, and so I am kind of relying upon you here.

Besides the two, is there a third reason to do tax reform? I guess fairness. So if you throw those all in, it seems as if capital, though, creation of capital, is the one which is not the priority so much as to align incentives to perhaps create certainty.

Continue. You go.

Mr. MNUCHIN. I agree with you. But the only other thing I would say, because I do think we have a lot of capital in the United States now, is that we have a business tax system that is incenting companies, U.S. companies, to keep that capital abroad.

So the other thing we want to incent as corporate behavior is, that money comes back to the United States, both now as well as going forward, and that money can be deployed to create new business here and create jobs, and that we stop things like inversions because it makes economic sense for U.S. companies to do business here.

Senator CASSIDY. So the incentives are both for the company to use their money more wisely, to invest it within to create jobs, but also to keep companies from moving abroad.

Mr. MNUCHIN. Correct.

Senator CASSIDY. On behalf of all those folks in Evangeline Parish and elsewhere who want to have prosperity, I thank you for your offer to serve, and I look forward to supporting your nomination.

Mr. MNUCHIN. Thank you very much. I appreciate that.

The CHAIRMAN. Well, thank you, Senator; your time is up.

Senator Warner?

Senator WARNER. Thank you, Mr. Chairman.

And it is a pleasure to see you, Mr. Mnuchin, and I appreciated our visit. And congratulations on your nomination.

I have a series of topics, so I am going to try to move quickly as well.

The United States obviously enjoys enormous advantages, particularly around the status of us being the reserve currency. That allows us lower interest rates in everything from student loans to mortgages. Senator Bennet already raised this, but I am going to raise it again.

The President-elect's comments about potentially renegotiating the debt, during the campaign, were unprecedented. I want you to

again affirm to this body that on a going-forward basis it will be your policy, as much as you can influence the President-elect, that we would never again question America's willingness to stand by its debt obligations.

Mr. MNUCHIN. Senator, I agree with that 100 percent. And also, let me just thank you for meeting with me and also acknowledge, as an incredibly successful businessperson, that I appreciate your service here.

Senator WARNER. Okay. I do not want that to eat into my time.

Mr. MNUCHIN. Sorry.

Senator WARNER. I have been very troubled by even some folks in elective office who have somehow said we can ignore the debt ceiling without consequences. There are even some who are going out and saying somehow we could prioritize those debt obligations and potentially pay off bondholders, many of them foreign, many of them Chinese, and ignore our obligations to pay States, which would then affect their bond ratings, our ability to pay Social Security trust funds and to honor the commitments the United States government has made to pay salaries of FBI employees, et cetera.

Is it your policy that the United States, in terms of its debt obligations, needs to honor all its debt obligations and should not have any ability to prioritize those obligations?

Mr. MNUCHIN. Absolutely. And I hope you will work with me so that we get that done. We have already spent the money, we have the obligations, there should be no uncertainty that we are paying the bills.

Senator WARNER. I think that is extraordinarily important. And those who somehow argue for prioritization—it would wreak havoc in the financial markets.

I want to raise again what Senator Bennet raised. Clearly, if you get this role, words that you say and the President-elect will say will have consequences. We have already seen this. The actions of the President-elect in terms of commenting on the strength of the dollar—unprecedented. No President, Democrat or Republican, has ever done this before. It has effects.

Now, you will simply be a senior adviser in the Cabinet of the President. But how do we ensure, since words have such consequences, that there will be an ability for the Trump administration on economic policy to try to speak with a single voice?

Mr. MNUCHIN. Well, if I am confirmed, I think that once we all get in office and have regular access, both myself and the administration, I think you will see that. And again, there may be times where, you know, there is a view that the dollar is slightly too strong, but I do believe we will speak with a unified voice.

Senator WARNER. But do you then expect the President-elect, and then President, would continue to break all precedent and be willing to weigh in on these matters, unlike any prior President?

Mr. MNUCHIN. Well, look, as you know, this President is willing to do a lot of things that other Presidents have not done—

Senator WARNER. So I will take that as a “maybe.”

Mr. MNUCHIN [continuing]. And I think many of them are great.

Senator WARNER. Let us move to another area. One area that I have had a huge amount of concern and interest in, and I know Senator Crapo and a number of us on this panel have, is on Fannie

and Freddie. And I know there were some people who potentially interpreted some of your comments about recap and release, which would, in a sense say, even though the American taxpayer was paid back the \$188 billion that we invested in those failing institutions at a moment of crisis, I think both of us would perhaps from our business standpoint say that was high-risk capital and we ought to get a better return, but somehow those people simply say, let us refloat these two entities and basically ignore some of the underlying challenges. Do you support that position of recap and release that some have advocated?

Mr. MNUCHIN. So, I mean, let me first be clear. I did make some comments about this. My comments were never that there should be recap and release.

What my comments were—and first of all, I have been around the mortgage industry for 30 years. I have seen this for a long period of time, so this is an area that I do believe I have expertise in.

For very long periods of time, I think that Fannie and Freddie have been well-run without creating risk to the government, as well as, they have played an important role.

I know you are running out of time, but just bear with me. This is very—

Senator WARNER. Mr. Chairman, can I get an extra 30 seconds, sir?

The CHAIRMAN. Go ahead.

Mr. MNUCHIN. Can I just answer this so you get more time? I believe these are very important entities to provide the necessary liquidity for housing finance. And what I have committed to is that I will work with both the Democrats and Republicans.

What I have said and I believe is, we need housing reform, so we should not just leave Fannie and Freddie as is for the next 4 or 8 years under government control without a fix. I believe we can find a bipartisan fix for these, so on the one hand we do not end up with a giant bailout, and on the other hand we do not run the risk of completely limiting housing finance.

Senator WARNER. I appreciate those comments. I look forward to working with you if you are confirmed.

Mr. MNUCHIN. Thank you.

Senator WARNER. Since you took most of the 30 seconds on your statement, I have two quick questions. Hopefully you can answer them with “yes” or “no” answers.

One is, in light of those comments about recap and release, will you commit not to support any kind of administrative effort that would bypass the Congress in terms of efforts to recap and release?

Mr. MNUCHIN. So, again, I do not want to make any commitments to legislative action or not. What I will commit to—because it is my responsibility in Treasury, you know, as it relates to certain issues with Fannie and Freddie—what I will commit to is, it is my objective to find a bipartisan solution to it. And I would welcome the opportunity to sit down with you on that.

Senator WARNER. And your hope would be the bipartisan consensus that the Banking Committee in particular arrived at, which was that that solution—and we can argue or discuss about how we get there—should end up with a housing finance system that pre-

serves things like the 30-year mortgage, but also makes sure that there is not the current status which has, when things are going well, private-sector gain, but when stuff hits the fan, leaves taxpayers holding the bag? So we would agree that—

Mr. MNUCHIN. I can 100-percent assure you that I have no interest in that. And I think I understand this well enough that you will find that I will not support any policy that makes that case.

Senator WARNER. Thank you, Mr. Mnuchin.

The CHAIRMAN. Senator McCaskill?

Senator MCCASKILL. Thank you, Mr. Chairman.

Mr. Mnuchin, I found a tweet of your future boss that I agree with. “Keep it fast, short, and direct, whatever it is.” So that is what I am going to try to do.

First, do you oppose lifting the current sanctions on Russia?

Mr. MNUCHIN. Right now I do.

Senator MCCASKILL. You think we should lift the current sanctions on Russia?

Mr. MNUCHIN. No, no, I am sorry. I oppose right now lifting the current sanctions.

Senator MCCASKILL. Do you support new sanctions against Russia, “yes” or “no”?

Mr. MNUCHIN. The answer is, I do not have enough information. I have not been able to receive classified briefings. I would want to understand the classified information, and I would want to work with others to understand it. So I do not have an opinion right now as to whether we should have more.

I do have an opinion that we should not be lifting the existing ones.

Senator MCCASKILL. Would you agree that your new boss is famous for firing people?

Mr. MNUCHIN. Well, he has a show about it.

Senator MCCASKILL. Okay.

Mr. MNUCHIN. But other than the show— [Laughter.]

Senator MCCASKILL. Do you think—well, it is a blurred line at this point. We are not sure where the show stops and where the reality begins. Do you think he will hesitate to fire people if he disagrees with them or believes they are doing a bad job?

Mr. MNUCHIN. Well, if he disagrees with them, no. And I can tell you, the President-elect and I have disagreed on things. Sometimes I have been able to convince him and sometimes I have not, and I have not been fired. If people do a bad job, absolutely he should fire them.

Senator MCCASKILL. Will he be able to fire and hire the ethics officer?

Mr. MNUCHIN. The ethics officer as it relates to his trust? I have no idea. I am not—

Senator MCCASKILL. Who would hire and fire the ethics officer if it was not him?

Mr. MNUCHIN. Again, I do not have access to the trust documents, and I do not know the answer to that.

Senator MCCASKILL. Whoa, wait, we are not talking about trusts. We are talking about—he has said he is going to have an ethics officer to oversee him in the government. Who is going to hire and fire his ethics officer? Him?

Mr. MNUCHIN. It is a good question. I would be more than happy to ask him and talk to him about it and come back. I think you raise an important issue, and I think he will understand that. I do not have the answer.

Senator MCCASKILL. He is not divesting any of his business interests, correct?

Mr. MNUCHIN. Correct. I believe he sold his public stocks and his other liquid investments, from what I—

Senator MCCASKILL. I am talking about his business. Is it fair to characterize him as an international businessman?

Mr. MNUCHIN. I believe so.

Senator MCCASKILL. Okay. And he will enjoy the benefits of his businesses' success while he is President. Correct?

Mr. MNUCHIN. Again, I believe he will do everything legally. And as it relates to international—

Senator MCCASKILL. No, no, no, no, no. This is not my question. My question is, he has said very loudly he will go back to his business after he is President; in fact, he even said he would fire his sons if they had not done a good job. So whatever success his business enjoys during his presidency, he will get the benefit of, correct?

Mr. MNUCHIN. I missed the part about firing his sons, but that sounds like something he may have said. But yes, he is the economic owner, so by definition I would assume that he would have that—

Senator MCCASKILL. His businesses in other countries and this country intersect with foreign countries. Do you agree?

Mr. MNUCHIN. So I have read, yes.

Senator MCCASKILL. And is it not true that a lot of his debt is held by foreign interests?

Mr. MNUCHIN. I do not know; I have just read it in the papers.

Senator MCCASKILL. Do you think you should know that, as someone who runs the Committee on Foreign Investments, if we are talking about the Commander-in-Chief? Should you, as Secretary of the Treasury, know what percentage of his debt—I am told by people who are familiar with his business that it is a huge percentage of his debt—is held by foreign interests?

Mr. MNUCHIN. Well, as I said, if I am confirmed, I assure you that I will make sure that the requirements of the Constitution are upheld. And I think you have a valid point about foreign debt and understanding foreign things. And if I am confirmed, I will research that and get back to you.

Senator MCCASKILL. Okay. So what I want to get a commitment on from you today is that you will report to this committee what percentage of the debt against the Trump enterprises is held by foreign interests. That is your job as the Secretary of Treasury, and I would like your commitment that you will report to this committee as soon as you are able to get that information from the new President.

Mr. MNUCHIN. I am not making the commitment today to report to the committee on anything. But what I am willing to do is, to the extent I am confirmed, I am willing to speak to the chairman and make sure that whatever the committee thinks it needs I will discuss with the President.

Senator McCASKILL. Well, I can assure you, the American people need to know. And you in your job as Secretary of the Treasury—that is supposed to be determining national security interests based on foreign investment—the American people want to know how much debt that is owed by the Trump businesses is owed to foreign entities, because that could have a direct impact on our national security.

Thank you, Mr. Chairman.

Mr. MNUCHIN. Senator, thank you. And I think you have asked some interesting questions, which I will follow up on.

The CHAIRMAN. Thank you, Senator.

Senator Burr?

Senator BURR. Mr. Chairman, I would love for our staff to look and see if that is the responsibility of the Secretary of the Treasury to actually ask the President what percentage of foreign debt he owes.

I do not think that is part of your job, Mr. Mnuchin.

And let me say that your employment history is quite complex, probably the most complex I have seen of any nominee who is here.

What I read into that is that you are sort of a roadmap for things that we need to do if the goal is a simpler, more transparent, understandable tax policy in this country.

So let me ask you, do you pledge, do you commit to the committee, to work towards a simpler, more understandable tax code in this country?

Mr. MNUCHIN. I do, absolutely.

Senator BURR. Do you commit and pledge to this committee to divest yourself of any assets that may be perceived as a conflict with the job that you are being considered for?

Mr. MNUCHIN. I have already agreed to that and signed the agreement with the Ethics Office.

Senator BURR. Well, I know that. Many of the questions I have heard on this committee have suggested that the other side did not hear it. And I just wanted you to have an opportunity one more time to repeat it.

Mr. Mnuchin, in April of 2014 the Treasury IG came out with a study. He found that the Internal Revenue Service has paid out \$2.8 million in bonuses as well as tens of thousands of hours of leave and hundreds of pay-step increases to employees who were tax-delinquent or had committed serious misconduct, including fraud and drug abuse.

More recently, in their April 2015 report, the Inspector General found that 108 of 364 employees with willful tax noncompliance cases closed between October 1, 2008 and September 2013 received one or more awards, promotions, quality steps, or voluntary separation incentive payments within a year after being disciplined for tax noncompliance.

Will you commit to me today to change this policy, this insane policy at the IRS?

Mr. MNUCHIN. Absolutely. It sounds very concerning, so I commit to work with you and your staff on it, absolutely.

Senator BURR. Thank you. In another report, December 2014, the Inspector General of the IRS discovered that they had repeatedly rehired employees who were fired for poor conduct and perform-



ance after lengthy examination processes on their employment. In fact, the Treasury watchdog found that in a sample of 7,163 employees who were rehired by the IRS, 824, or 11 percent of them, had bad performance in their record as to why they were fired in the first place. And in some instances, it said in their records “do not rehire,” yet the IRS rehired them.

Do you pledge to this committee to change that insane policy at the IRS?

Mr. MNUCHIN. That sounds like the most common sense I have ever heard. So yes, I absolutely am committed to that.

Senator BURR. I appreciate it, because I think that, with all the questions you have been asked today and all the pledges you have been asked to make—I try to look for the value to the American people.

The American people deserve better than this, because, in the private sector, you would not stand for this, would you?

Mr. MNUCHIN. Absolutely not.

Senator BURR. You would not have a company that would pay people for nonperformance or poor performance. You would not reward individuals by rehiring them if in fact they did a poor job last time.

And I think the American people look at insane policies like this and they really do question those who head agencies and, quite frankly, committees like this that have oversight over the agencies.

So I go back to where I started. You have a very complicated and fascinating employment background that spreads to probably more areas than any of us can ever imagine. Do you pledge to use that experience to make the changes at the Treasury Department and within all the branches of the Treasury Department that the American people sense need to be changed?

Mr. MNUCHIN. Absolutely. It would be a great honor to lead the Treasury Department and work for the American people. And that is why I am here.

Senator BURR. Thank you for being here today.

I yield back.

Mr. MNUCHIN. Thank you.

The CHAIRMAN. Senator Scott?

Senator SCOTT. Thank you, Mr. Chairman.

Mr. Mnuchin, good afternoon. Good to see you again. Thanks for coming by the office and having a good conversation about economic growth, which should be our focus as part of the Finance Committee and certainly the administration’s focus as well.

To follow up on some of Senator Burr’s comments about a simpler tax code, when I think about many of the comments that I have heard from the President-elect as it relates to making sure that the folks working paycheck to paycheck experience a better quality of life, I think about the tax code. I specifically think about folks in South Carolina who are strongly in support of President-elect Trump, as well as places like Pennsylvania, Wisconsin, and Michigan where these folks who are working every single day long hours are barely making it.

As we think about the tax code and reforming it, we can focus either on income or on capital. I would love to hear your comments on President-elect Trump’s approach to reforming the tax code. Will

the emphasis be on certain cohorts of the personal code, or will it be more on the capital process?

Mr. MNUCHIN. I think it is both. So I think we have an opportunity to reform the tax code—and we should all be focused on this—on both the personal side and the business side.

And in many cases, I see them linked. There will be changes to the business tax code that will create more jobs and more income, but I think the overall goal, as we had an opportunity to discuss—and thank you for meeting with me—is to simplify personal taxes, deliver a middle-income tax cut, and make U.S. business taxes competitive with the rest of the world so that we can compete effectively and aggressively and create more jobs. This is all about creating better economics and more jobs for the American public.

I am very concerned about the number of jobs that have been lost, the decrease in manufacturing, the number of people who have left the workforce. These are all very concerning issues. And when you just look at the unemployment rate, that absolutely does not tell the story of what is going on in this country.

Senator SCOTT. Following on that same thread, when you think about simplification of the tax code—and in order for us to get to a lower rate, we are going to have to have a serious conversation and perhaps a challenging conversation about the expenditures in the tax code—I hope the administration plans to treat very carefully the mortgage deduction and the charitable deduction going forward.

I know that the House plan, I believe, capped the mortgage deduction at a home value of around \$1.1 million. I saw at least in your political document that the approach that you guys were taking had more to do with the interest that you pay and not the actual value of the home.

So I do not need a comment right now, but I hope that you would take seriously the importance of those two deductions, from my perspective.

Also, I think if we lower the corporate rate, certainly we will become more competitive. I am not sure that just lowering the corporate rate actually stops inversions. Your thoughts?

Mr. MNUCHIN. I think it absolutely has a huge impact on stopping inversions. So I think there are some other things that we may be able to do, but I think the biggest issue that creates inversions is the incentive for much, much lower taxes abroad than we have here.

Senator SCOTT. Well, there is no question that if we can get our 35-percent highest-in-the-world corporate tax down to something that is competitive, that would be wonderful.

Mr. MNUCHIN. Absolutely.

Senator SCOTT. But to stop the inversions, we will probably have to go to a place we cannot get to to be competitive with, I do not know, a 12.5-percent rate or now the innovation box is at 10 percent. Whatever we can do to become competitive will be helpful, but I do believe that we are going to have to look for other remedies outside of the tax code in order for us to sell perhaps that the haven of America is a great place to do business beyond the tax code itself.

But speaking of that simpler tax code, I have—and we have spoken before about it—legislation that I have sponsored around investing and opportunities. It essentially defers the capital gains tax for up to 7 years if you reinvest those resources into distressed communities.

We have 50 million Americans, more than a million South Carolinians, living in distressed communities. I think one of the goals I hope that we have is to look for ways to create incentives for private capital to come back into distressed communities. I would love to hear your comments on that.

Mr. MNUCHIN. Yes, absolutely. As a matter of fact, I have in my notes here the Investing in Opportunity Act that we talked about.

Senator SCOTT. I am glad you are supporting it. Thank you very much.

Mr. MNUCHIN. And I want to follow up with you and learn more about it. And whether we use that or whether we use other tax incentives, I think it is absolutely critical that the areas that are most struggling, that we use the appropriate incentives to get business to go there. So I will definitely look forward to following up with you on that.

Senator SCOTT. So, one more question, Mr. Chairman?

The CHAIRMAN. Go ahead.

Senator SCOTT. Thank you, sir. I thought that was a ringing endorsement for the Investing in Opportunity Act. I will just take it as that, from my ears, not necessarily from what you said.

But on the trade policy, South Carolina has been a place of a provocative position on trade. We were a haven for manufacturing a hundred years ago; we are today a haven from the high-tech manufacturing perspective.

Trade agreements are a very important part of what makes us successful attracting brands like Boeing, Michelin, Bridgestone, Caterpillar, BMW. So trade is very important to the State.

I know that you guys are moving away from multilateral agreements towards bilateral agreements. I hope that that bilateral approach will include some of the countries and the growing markets around the world, specifically within the TPP footprint.

Mr. MNUCHIN. Absolutely. And as I said, you know President-elect Trump absolutely believes in trade. He just wants better deals. So he wants us to grow exports, and he wants better deals.

Senator SCOTT. Thank you, Mr. Chairman.

The CHAIRMAN. All right. We have two more to go here. Can we finish up with those two?

Mr. MNUCHIN. Absolutely; let us keep going, please.

The CHAIRMAN. Okay. And then we will take a short break and then give you a little bit of time, and then we will come right back.

Senator Portman and then the Senator from Washington.

Senator PORTMAN. Thank you, Mr. Chairman.

And, Mr. Mnuchin, thank you for being here. But I think it is your kids who deserve the award for stamina. [Laughter.]

My kids at that age would have been long gone, so whatever you have done, you have done a good job.

Mr. MNUCHIN. I told them they could leave after an hour, but they actually opted to stay.

Senator PORTMAN. Yes. Well, good for you guys.

Listen, I think you are right about the fact that the tax code is an opportunity for us to help give the economy a shot in the arm.

And just to put a finer point on it, you know median income has not gone up when you look back at the pre-recession levels. And that is the middle-class squeeze, that and the higher expenses, including health care.

And then in terms of unemployment, you are right. If you go back to the labor force participation rate that was in effect, about 66 percent before the recession, and you compare it to today, unemployment would be about 9.5 percent. So this economy is not humming, we are not doing great, and we are not serving middle-class families who are struggling to make ends meet.

And I think tax reform is one way within your purview that you can make a big difference here. And I appreciate what you said in response to Senator Scott on that, because I do think we should be focusing on wages, not just overall economic growth but how to ensure that we are creating opportunities for the families we represent.

One thing you did not talk about, at least I did not hear you talk about when I was here, is on the business side: repatriation. So you can lower the rate, and I think that is important, having the highest rate in the world. But do you not think there is an opportunity to repatriate some of those profits that are now locked overseas?

The number I hear is over \$2 trillion. What is the number that you believe and what can be done to bring that money back here to invest in jobs and plant and equipment?

Mr. MNUCHIN. Well, I can tell you the President-elect thinks that we are going to get over \$3 trillion, so his number is \$3 to \$4 trillion. So we are getting a lot of money back.

I have spoken to several CEOs who, you know, want to bring money back. So to the extent that we create a one-time repatriation in the Trump plan—we had put that at 10 percent. I think the House GOP plan had that slightly lower.

But I absolutely believe, and I have heard CEOs say this—and some of them are, without naming names, some of the biggest holders of cash abroad—they absolutely want to do it, and we are committed to that.

Senator PORTMAN. You are committed to working with us to be sure we can do that?

Mr. MNUCHIN. Absolutely.

Senator PORTMAN. And I think this has bipartisan support here. And you know we need to invest those funds back here, including for things like infrastructure.

With regard to trade, there has been some discussion I heard on trade. As you know, I believe in expanding exports. I am a former U.S. Trade Rep. And I think we are not doing enough there.

But I also believe in a level playing field. And one area where we have had a lot of contention is on currency manipulation. We tried in the legislation called Trade Promotion Authority to get that done. Senator Stabenow and I actually introduced an amendment which came close, but we did not quite get it done, to make it a trade objective in our trade negotiations.

But we did pass something in the Customs bill that directly relates to your job. It says that Treasury has enhanced authority to

take action on this. There are some conditions that have to be met that, frankly, trade manipulators will meet. And at the end of the day, if a country fails to change its policies, the Treasury Secretary can recommend the President take action, such as prohibiting the Federal Government from procuring goods or services from that country, or calling for formal consultations on findings of currency manipulation at the IMF, the International Monetary Fund.

If confirmed, would you commit today to take full advantage of that enhanced authority we have given the Department of Treasury?

Mr. MNUCHIN. Absolutely. I think that is very important.

And in particular, I just want to point out and thank you—I know you have taken the opportunity to meet with me several times. And I enjoyed our working lunch yesterday in your office. And we have talked a lot about these issues. And I am absolutely committed to work with you on this, and this sounds like a very important issue.

Senator PORTMAN. Again, I think it is one issue where there is some bipartisan agreement about the need to address currency manipulation. And I appreciate your commitment to use the authority we have given you and work with us on other authorities.

Another topic I want to touch on is the IRS. I understand there was some discussion when I had to step out to another hearing regarding funding for the IRS. I heard what Senator Burr said about some of the examples of IRS's poor management, including promotion policies. Obviously, we know that there were politics involved in the IRS, that they were making decisions based on political matters, which is totally inappropriate for a tax collection agency. So the IRS has created huge problems by the way it has not performed in a way that anybody would expect as a taxpayer.

On the other hand, by understaffing and underfunding the IRS, taxpayer service has been eroded, and that affects my constituents in very direct ways.

Are you committed to trying to fix these problems at the IRS, but also working with us to ensure that there is adequate funding and support so that the tax system can work better, hopefully under a very simplified tax code?

Mr. MNUCHIN. Absolutely. And this is something I feel very strongly about, and it is something that I hope we do have bipartisan support on, because this is one of the areas where I think we will all agree: to the extent we add resources, we can collect more money.

One of the things I have heard is, one of the reasons why we have technology problems is because, based upon the guidelines, we cannot afford to hire technology people internally.

While I think there is some external technology needed, I think we need to have internal expertise in the IRS to manage our own technology systems.

And I think in this day and age, like any other entity, we need to have good customer service, that if people are paying taxes, they have the right to get the information, they have the right to understand their information.

I think that we should be able to interact electronically, securely, keep people's information safe. I can go online and look up my real

estate tax bills in California and see my information there. I do not see why we do not have good systems where people who pay taxes can see their information securely online.

So I look forward to working with you. And I also think that we should be monitoring customer satisfaction. Like anything else, we should understand what the taxpayers think of the service we provide them.

Senator PORTMAN. I know my time is up, Mr. Chairman. I would just say that the chair and ranking member, I would assert, agree with me on this, but additional focus on the IRS, I think, is an opportunity for us.

And 19 years ago, there was this reform effort. I co-chaired it with Bob Kerrey, who was a Senator at the time; I was a House member. Every 20 years, it probably ought to be looked at, you know, including the technology. And I think this is an opportunity here. I appreciate your comments on that today and appreciate your being here today, Mr. Mnuchin.

The CHAIRMAN. Thank you, Senator.

Mr. MNUCHIN. Thank you, and I look forward to working with you on it.

The CHAIRMAN. Senator Cantwell?

Senator CANTWELL. Thank you, Mr. Chairman.

And, Mr. Mnuchin, I caught some of your testimony, but I apologize for being at the hearing with Energy Secretary Governor Perry for most of the morning, so I missed most of your—

Mr. MNUCHIN. I appreciate it is a busy day and you are accommodating lots of us, so thank you.

Senator CANTWELL. Thank you.

I wanted to ask you, do you support returning to Glass-Steagall?

Mr. MNUCHIN. I do not support going back to Glass-Steagall as is. What we have talked about with the President-elect is perhaps we need a 21st-century Glass-Steagall. But no, I do not support going back as is, of taking a very old law and saying we should adhere to it as is.

Senator CANTWELL. And so, is that the position of what the Republican platform was? Because I thought it was Glass-Steagall.

Mr. MNUCHIN. Again, the Republican platform did pass Glass-Steagall at the convention, and the President-elect, when we talked about policy with the President-elect, his view is that we need a 21st-century Glass-Steagall.

Senator CANTWELL. So when did that change?

Mr. MNUCHIN. Oh, that has been, again, that has been part of the campaign. It has been in some of his speeches.

Senator CANTWELL. So, what, like, October?

Mr. MNUCHIN. I do not remember.

Senator CANTWELL. But after the convention? At the convention, it was Glass-Steagall.

Mr. MNUCHIN. At the convention, the Republican position was Glass-Steagall.

Senator CANTWELL. And so his position was never Glass-Steagall, is that what you are saying? Or all along he meant a different version?

Mr. MNUCHIN. Again, I can only tell you that, post-convention, this is an issue that he and I have discussed and something that we will be looking at, but not—

Senator CANTWELL. And do you think that Mr. Manafort's leaving had anything to do with the change?

Mr. MNUCHIN. No.

Senator CANTWELL. Okay. So you think that—to me, this is a very important issue. In fact, I would say at some point in August that the Republican platform had a stronger position on Glass-Steagall than the Democratic platform. But now I understand that the President-elect does not really support Glass-Steagall, he supports some modern version, which I do not understand, so maybe you could help me. Tell me what that modern version is.

Mr. MNUCHIN. Again, I think that separating out banks and investment banks right now under Glass-Steagall would have very big implications to the liquidity in the capital markets and banks being able to perform necessary lending.

I think, in terms of looking at a lot of regulatory issues, the administration will look at Glass-Steagall and what I refer to as the 21st-century Glass-Steagall and, as part of regulatory form, have a view as to what is appropriate.

Senator CANTWELL. So I just want to be clear, because I think in your testimony I heard you allude to the damage that was caused by the implosion of our economy brought on by toxic financial instruments that did not have the backing that they needed. According to the Dallas Fed, it is a \$14-trillion hole in our economy. So I think you alluded to the damage that that caused.

So now, I think you answered—or at least some of the notes I have here about some of my other colleagues' questions indicate—that you believe the concept of proprietary trading does not belong with a bank.

Mr. MNUCHIN. That is correct.

Senator CANTWELL. Okay. So where does that go then? So you are saying you do not think that today there is a clear prohibition and you want to see a clear prohibition?

Mr. MNUCHIN. No, no. What I said is that in the Volcker Rule—today we have a prohibition on proprietary trading in banks.

Senator CANTWELL. With loopholes. With loopholes.

Mr. MNUCHIN. The problem that we have is that the definition of that was left to the regulators to decide. And so the first issue is—and again, I am a believer in proper regulation, but I am also a strong believer that people need to understand the regulation. So we need to be able to explain to banks what is proprietary trading and what is not proprietary trading.

I think we would all agree that if we were all sitting in this room and just betting on things, that is proprietary trading. What I referenced is, the Federal Reserve had their own independent report on a lack of liquidity in many of the important markets.

So what I am in favor of is that we have clear definition around the Volcker Rule and that the regulators come out with that and do it in a way so that it does not eliminate liquidity in many of the important markets.

Senator CANTWELL. So you would basically just tighten what you think are the rules that are out there. So you would lessen the rules that are already passed in Dodd-Frank.

Mr. MNUCHIN. No, that is not what I have said. I want to be very clear. What I have said is that I support the Volcker Rule, but there needs to be proper definition around the Volcker Rule so that banks can understand exactly what they can do and what they cannot do and that they can provide the necessary function of liquidity in customer markets.

And again, I am referencing a problem that the Federal Reserve has independently raised.

Senator CANTWELL. Well, I think, to me, I think this election was a lot about the frustration of the American people on the implosion of our economy and the fact that they have not recovered. And I think that the President-elect, whether he directly or not meant to—I was pleased that his party adopted coming up with a very bright line separating commercial from investment banking.

So now, I think where we are today—we are not sure. Hopefully we will get a chance to vote on this, all our colleagues, now that our colleagues have to answer to platforms and committees. Hopefully we will get an answer as to where our colleagues are on this.

But I will tell you that not only is this an issue of people wanting to see a bright line and be protected from this ever happening again, when it comes to the tax code and the tax policy, the American people have not recovered.

So lowering the corporate tax rate without getting a plan for the average American who lost pensions, could not send their kids to school, maybe lost their home—what is the tax policy that the President-elect and you are going to pursue that is going to help restore them from that major implosion and protect them from this ever happening again?

Mr. MNUCHIN. Well, let me just tell you, from having traveled with the President-elect for the last year, I absolutely understand why he got elected, and that is because, as you point out, the average American worker has gone nowhere. The unemployment rate is not real. The average American worker has gone nowhere, and the President-elect is committed, as am I as his economic adviser, to work for the American people and grow the American economy so that the average American worker does better.

And that is why I have been willing to sell all my investments, I have been willing to give up my businesses. My desire is to work for the American people to create a better economy, and I understand that.

I have traveled for the last year. I have seen this. And the President-elect understands that very clearly.

Senator CANTWELL. And so just one question on that, and I know my time has expired.

So did you mention what tax break policy you would give to that American worker?

Mr. MNUCHIN. Absolutely. We have specifically said the objective is to create a middle-income tax cut and to create business taxes that incent businesses to grow and make businesses more competitive and hire more people and create more jobs here.



Senator CANTWELL. So not specific to education or pensions or anything—a broad tax break to folks?

Mr. MNUCHIN. Well, as we had a chance to talk about, I think pensions are a very important issue.

Senator CANTWELL. Thank you.

Mr. MNUCHIN. And, you know, I would be happy to work with your office another time. I think that the people who have earned pensions absolutely deserve to have those pensions maintained and be safe. And I am very concerned about the retiree issue in this country, and that is something that I look forward to working with you and others on.

Senator CANTWELL. Thank you.

Mr. MNUCHIN. We need to protect the pension-holders in this country.

Senator CANTWELL. Thank you.

Thank you, Mr. Chairman.

The CHAIRMAN. We are going to take a 10-minute break here. My friends on the other side have requested a second round, and we are going to grant that. And so let us just recess for about 10 minutes, maybe a little longer.

[Whereupon, at 1:35 p.m., the hearing was recessed, reconvening at 1:50 p.m.]

The CHAIRMAN. My colleagues have asked for a second round, and we are going to do that. But I hope people will help us to move this along, so I will reserve any comments that I have to make.

Senator Wyden?

Senator WYDEN. Thank you very much. Let us go back to the Mnuchin Rule, if we could, Mr. Mnuchin. Let us say Congress proposed a policy that cut payroll and investment taxes for the top 1 or 2 percent of Americans while eliminating tax credits for those with low or middle incomes. That sure looks to me like a violation of what we agree is going to be called the Mnuchin Rule: no absolute tax break for the wealthy. Do you agree with that?

Mr. MNUCHIN. So again, I think we want to work on bipartisan tax reform.

Senator WYDEN. That is very specific, and I am asking it for a reason. I do not want to have to repeat it. If you have a policy that cuts payroll and investment taxes for the top 1 or 2 percent while eliminating the credits for those who are low- and middle-income, does that not violate the Mnuchin Rule?

Mr. MNUCHIN. Again, I think we need to look at the overall tax plan, okay? And as I said, the primary objective is to deliver a middle-income tax cut and tax simplification on the high end. That is our objective.

Senator WYDEN. You are already fudging on this commitment that you made to the American people that you would not give an absolute tax break to well-to-do people. And the reason I am asking this is because this is exactly what ACA repeal was all about in the last Congress. And every single Republican up here voted for it.

So I hope you will think this over, but this is exactly what troubles me. We have two tax systems in America. We were nudging our way, saying maybe you would not give a break to the well-to-

do. I am asking you about a specific situation and you said, gee, I do not know, we will have to go and see.

Now, let me turn to a second area that working-class people care a lot about, and it involves their purchasing power. There are a lot of questions about the 35- to 45-percent border tax that the President-elect is doing a fair amount of tweeting about. Could you tell the American people what products would be subject to this tax?

And I am not interested now in all the complicated theories about the dollar. I think it is a question worth talking about and the like. But Americans want to know what products would be subject to it. Working-class people want to know. Is gas going to be part of this? I mean, give me your response to this. Are there any products that are going to be exempt?

Mr. MNUCHIN. Well, first of all, thank you, and I think that is an important issue. And I think that this week the President-elect came out and suggested that he had concerns about the House GOP border-adjusted tax. And part of it is the complexities around it, and part of it is the—

Senator WYDEN. I am not talking about what the House is doing with border adjustment. I want to hear about the border tax the President-elect has been talking about.

Mr. MNUCHIN. He has not suggested a border tax. What he suggested is that for certain companies that move jobs, there may be repercussions to that. He has not suggested in any way an across-the-board 35-percent border tax, and if anything, quite the contrary.

As you said, he has concerns about things that impact the price of gasoline and other commodities.

Senator WYDEN. So what products would be off the table for purposes of what I call a border tax and you want to say is kind of something else? What products that working-class people buy would be exempt?

Mr. MNUCHIN. Again, I think when he has referred to a border tax, he has referred to a small number of companies that have moved their jobs, or are moving their jobs, putting products back into the United States, taxing them.

So he has in no way contemplated a broad 35-percent border tax. That could not be further from anything he would possibly consider.

Senator WYDEN. Let me turn to another topic of tax policy, because we are trying to gather at least a bit of information about how you would deal with some of these common tools that would be in your jurisdiction if confirmed as Treasury Secretary.

Now, inequality has grown substantially over the last 30 years. There has been bipartisan support in the past for the Earned Income Tax Credit. There are a number of proposals pending now in the Congress. Do you have any thoughts on that?

Mr. MNUCHIN. Again, first of all, as I suggested to you when we met, I hope we can sit down and talk about taxes with Democrats and Republicans and see where we can agree on bipartisan solutions.

As it relates to any specific component of this, I think we need to look at the overall tax reform that we are going to put through

and where things fit in it. But I would welcome the opportunity to follow up with you and work on that.

Senator WYDEN. Mr. Mnuchin, again, I want to be respectful on this point, because you have not been involved in these policy fields in the past, and I respect that because there is lots of leadership that a person still can provide. When I asked about Medicare—you would be the managing trustee—you really did not have any thoughts on that.

I just asked you about the Earned Income Tax Credit—tremendous interest among Democrats and Republicans. I gather you are not aware that the Speaker has long been advocating some improvements that Democrats are interested in.

And I will tell you—we are going to have, I guess, the chance to go into some other questions—I am very troubled about the fact that regarding these basic tools that you would have, if confirmed, you seem almost unscathed by the subject.

So thank you, Mr. Chairman.

Mr. MNUCHIN. Well, I am sorry that you are troubled by that. I hope I earn your support and respect and that you are not troubled going forward, if I am confirmed.

It is not that—again, on the Earned Income Tax Credit, I do not want to comment on specific legislation on tax. I think that tax reform needs to be looked at as an overall policy. And I have laid out a certain framework for what I believe the President-elect believes in for tax reform, without commenting on specifics.

Senator WYDEN. I am over my time for this round. I hope, because I am interested in those discussions with you about tax reform, you are not talking about putting the Earned Income Tax Credit on the table as something you might throw in the trash can, because if you do, you are going to have opposition from me, and you are going to have opposition from the Speaker of the House.

Thank you, Mr. Chairman.

Mr. MNUCHIN. I am not suggesting that. I was just saying I was not going into the specifics of every single tax item. Thank you.

The CHAIRMAN. Okay. Senator Crapo?

Senator CRAPO. Thank you, Senator Hatch.

Mr. Mnuchin, I want to try to cover three quick, maybe not so quick, questions. The first one is to return back to the discussion you were having with Senator Warner about Fannie Mae and Freddie Mac and GSE reform, housing policy reform.

I am sure you are aware that Senator Warner and I and a number of other Senators on the Banking Committee have worked for some time on legislation to try to deal with this circumstance.

We currently have a situation in which Fannie Mae and Freddie Mac are in receivership. The Federal Government basically is running them. And the concern that I believe Senator Warner was referencing was a concern that the administration—not because we are afraid of anything, just because we are asking, we are trying to find out—that the administration may either believe that it is okay to keep them in receivership and just continue to run as is with the status quo or perhaps to simply recapitalize them and put them back out into the market without any housing reforms.

And I just wanted to ask you if you would—I realize you cannot comment on a specific plan yet, but if you would comment as to

whether you believe that we need to have reform in our housing finance policies that would go further than simply recapitalizing Fannie and Freddie or keeping them in receivership.

Mr. MNUCHIN. Okay. Well, again, thank you for that. And I would comment, unlike the Medicare fund, where I acknowledge I am not an expert, I think on Fannie Mae and Freddie Mac, I am an expert. I have been around these for 30 years. I understand these very well. And that is why it would be one of my priorities to work with you.

And as I have said, what I am focused on is, we need housing reform and a solution. So I start from the standpoint that the status quo is not acceptable of just leaving them there.

Senator CRAPO. I appreciate that.

Mr. MNUCHIN. I think, as you know, as we have discussed, there are two extremes on this. And it is something that I look forward to sitting down and talking to you about. But I believe we need housing reform and we need to make sure that whatever the outcome is on the two extremes that, one, we do not put the taxpayers at risk and, two, we do not eliminate capital for the housing markets.

Senator CRAPO. Okay.

Mr. MNUCHIN. I am very concerned that middle-income people and moderate-income people who need mortgage loans have access to that capital.

Senator CRAPO. Well, I appreciate that and, in fact, I agree with you on both of those objectives, and I think that is exactly what we need to work together to identify.

Mr. MNUCHIN. Good. Well, I am optimistic we can work together and hopefully figure out a bipartisan solution. Thank you.

Senator CRAPO. Thank you.

My second question is—you have already answered it, but I just want to raise it again because it is so important, and that is, we have seen the unfortunate circumstance, in my opinion, in the last few years, of the IRS actually targeting individuals because of what they believe and how they advocate in our society.

And you have already talked about this, but I would just encourage you to make a high priority that not only the IRS, but all of the Federal functions under your jurisdiction as Secretary of Treasury, which I am sure you will be confirmed to be, are stopped from that kind of targeting of American citizens who are conducting perfectly legal business and engaging in perfectly free and legal speech.

Mr. MNUCHIN. You have my 100-percent assurance that I will do that. I think there is no place in not only the Treasury, but in other agencies, for us to be having people act that way.

Senator CRAPO. All right, thank you. Then my last question in this round would be back to the tax issue.

One of the big issues that I think we must grapple with, and I would just like your ideas on it, is that, as I am sure you know, a huge percentage, in fact a significant majority, of the business entities in the United States pay tax through the individual income side of the code rather than the corporate side of the code.

And as we reform, as we should, our corporate code and engage in individual tax code reforms, I am concerned that we do not end

up with a significant bifurcation between different business entities in the United States as to the tax burden and the tax rates that they pay. Could you comment on that?

Mr. MNUCHIN. Sure. And I, too, think that that is an important issue. And again, for large companies that are in pass-through form today, the reason why large companies are in pass-through form is because they look at the personal income tax rate and they compare it to the corporate rate and the dividend rate.

So I think for many large companies that are structured as pass-throughs, they will opt to take the business tax, and we will figure out a simple system, nonbureaucratic: you check the box, you get the business tax; you leave the money in the company, you grow your company, you get the lower business tax. If you distribute it out, you pay dividends.

And I think that that is something that is critical.

And as I have said, we will make sure that we work with Congress to make sure that we close loopholes so rich people do not use this as a way to get a lower business tax. And on the other end, we will make sure that small businesses are protected as well—legitimate small businesses—

Senator CRAPO. So the small businesses do not pay an incrementally higher tax just because they choose not to engage in the corporate form.

Mr. MNUCHIN. Correct. And that is something that we look forward to working with you on, on the details of how we can make sure that is preserved.

Senator CRAPO. All right, thank you very much.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Senator Nelson?

Senator NELSON. Thank you, Mr. Chairman.

Mr. Mnuchin, you no doubt are aware that one of the things as Treasury Secretary you will have to face is the multi-employer pension funds that are in dire straits. These are ones that have become unstable, and they are pension plans for people like truck drivers and carpenters and miners.

And the Treasury Secretary has the authority to temporarily or permanently reduce the pension benefits if the plan is projected to run out of money. Therein, there are two bad outcomes. One, it is running out of money and, two, you are going to be faced with the problem of what to do about it.

These are folks who are living on the edge. And a reduction of the pension is going to mean something that they have to go without. What do you think about this? And how would you approach this heart-wrenching issue?

Mr. MNUCHIN. Well, I appreciate your concern. And we had the opportunity to talk a little bit about this when we met. And I believe your office followed up and sent me some information on this. So it is something that I look forward to working with you on.

And let me first say I think that people who have worked very long periods of time and have built up a pension deserve to get their pension. That is very important.

On the other hand, we have to be careful that, on the other extreme, we do not have a bailout of the entire pension industry and bankrupt the guarantee fund.

But I commit to work with your office. I understand these issues. I understand the sensitivity of these issues. And I share your concerns that cutting truck drivers' pensions and other people's is a very significant outcome. And we should go to great lengths to figure out if there are other solutions before we do that.

Senator NELSON. Since folks like you and me have been blessed, we have not often had to walk in the shoes of folks like that who are living on the edge.

Mr. MNUCHIN. I completely understand.

Senator NELSON. And I ask that, in your position with this awesome authority as Treasury Secretary, that you put yourself in those shoes.

Another financial disaster is what is happening in Puerto Rico, not only because of what they are at fault about, but also in the unequal way that they have been treated by the law, quirks in the law, and I do not understand how they ever got that way. They are not treated the same on bankruptcy laws, they are not treated the same on Medicare and Medicaid laws.

And they have a particularly tragic situation where they were given a block grant of Medicaid money that is running out this year, while at the same time one-third of the island's residents are infected with Zika. And we know that 15 percent of those infected with Zika, if they are pregnant, there is a 15-percent chance that they are going to have a deformed child. I would like very much for you to keep that in mind because we have to come up with a plan.

Now, I know a lot of responsibility is on us in the Congress. The chairman led an effort and we tried to get some things passed in December. But the big things, like Medicaid, are coming up in the future.

Mr. MNUCHIN. Well, Senator, first of all, thank you for going through that. And when I did have the opportunity to meet with Secretary Lew and talk about certain issues that he wanted to advise me on and bring to my attention that he thought I would have to deal with in the near future, Puerto Rico was high on that list. So I must say, I was not an expert on Puerto Rico before the last 30 days. I have started studying this issue, and I share your concerns.

I am glad that the commission was established. I think that I understand that the Treasury has been staffing the commission. I have someone whom I have already asked internally, who is going to be working with me, to start working on this and get debriefed by the Treasury staff on this. And this is going to be something that we need to figure out a bipartisan solution for.

I am hoping that it can be done in the context of the commission, but I look forward to working with you on it.

Senator NELSON. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. Senator Menendez?

Senator MENENDEZ. Thank you, Mr. Chairman.

Mr. Mnuchin, I have listened to your responses to my colleagues, defending OneWest's more than 50,000 foreclosures on your watch. And I understand you bought a bad book of loans.

And I do not think we are saying that you had to save every single homeowner. But by taking the FDIC's backstop, you had an obligation to at least try. So do you believe that you made every effort to prevent foreclosures and keep families in their homes?

Mr. MNUCHIN. I do. And I actually brought with me—if you want to make it part of the record—the FDIC asked the Inspector General, the OIG, to come in and look at the loan modification program—

Senator MENENDEZ. So you believe you did—

Mr. MNUCHIN [continuing]. And they independently reviewed that and that was verified by the OIG and the FDIC.

Senator MENENDEZ. Well, I do not know that their determination is that you made every effort. Let me just say, what about—

The CHAIRMAN. Without objection, we will make that part of the record.

Mr. MNUCHIN. Thank you.

[The report appears in the appendix on p. 137.]

Senator MENENDEZ. What about one of your vice presidents actually admitting to robo-signing 750 foreclosure documents a week without even reading or reviewing them? How can that be considered making every effort to prevent foreclosures? Can you honestly say your bank made every effort to keep families and seniors in their homes when they were robo-signing one foreclosure document every 3 minutes?

Mr. MNUCHIN. So, Senator, yes, I can absolutely say that we made every effort. And again, our loan modification programs were audited by the Treasury, the FDIC, the OCC. You can imagine, being a private equity person who bought a bank, we lived in a glass house, and we were constantly viewed by the regulators.

Now, the comment that you are making—there was an industry issue which had nothing to do with loan modification, which had to do with the processing of foreclosures. That was a procedure that was started at IndyMac; it was continued under the FDIC ownership. And in the beginning of our ownership, we unfortunately did not change certain procedures, as I have said. It was solved, and we were the only—

Senator MENENDEZ. I am not worried about the industry. I am worried about your direction at your bank. You keep referring to entities. The Office of Thrift Supervision hit you with a consent order because you were actually putting homeowners on a fast track to foreclosure. And that was part of that 750 foreclosures a month.

You also had an independent government audit of OneWest's foreclosures in 2009 and 2010 that alone identified more than 10,000 homeowners who were owed \$8.5 million in damages. And among those homeowners were 54 incidents over the course of just 2 years where the bank violated the rights of active duty military service men and women, those defending our country across the globe, under the Service Members' Civil Relief Act.

So if you did all of that, how is it that you feel that you can honestly say here in sworn testimony that your company did everything—

Mr. MNUCHIN. Okay. So first of all, Senator—and I appreciate the issue—as I said before, we highly regret that we made even one error, especially to the service men. And yes, we had all those loans reviewed. We paid \$8 million. Many, many firms paid billions and billions of dollars. But we regret any issue there.

What you were referring to with the OTS and the independent foreclosure review, it was one in the same. So as I have referenced in my testimony, we were one of 14 banks that signed a consent order; basically the 14 largest services signed a consent order. At the time, we were under the OTS; it was later taken over by the OCC who took over the consent order.

And we were the only bank that actually completed that independent foreclosure review. And we are proud of that.

Senator MENENDEZ. And the fact that it was completed, at the end of the day, ultimately showed that your company took people out of their homes and created consequences for them they should not have. So I am not sure which one is to be proud of.

Do you know a woman named Sylvia Oliver?

Mr. MNUCHIN. I do not.

Senator MENENDEZ. I did not think so. She is from Scotch Plains, NJ. She is the sister of the immediate past speaker of the New Jersey general assembly. She received a loan from IndyMac in 2008. And after her employer cut her hours, she ran into difficulty paying for her mortgage. She wanted to be a good borrower. She tried eight times for loan modifications, which I believe she would have qualified for. Every time, your bank denied each and every one.

She has been fighting to save her home for 7 years. She nearly lost her home yesterday. Thanks to her tenacity, she has a 30-day reprieve, but that is no guarantee she will not lose her home next week. So I look at her.

And, Mr. Chairman, I would like to have the testimony of several individuals who faced these realities be included in the record at this time.

The CHAIRMAN. Without objection. If they pertain to the record, we will certainly do that.

[The testimonies appear in the appendix beginning on p. 129.]

Senator MENENDEZ. They certainly pertain to the record. They pertain to having been foreclosed on and ultimately having tried to seek loan modifications unsuccessfully, even though they should have qualified for them. And I think they are more than eligible for the record.

So let me just say in closing, I see this as an example of privatizing profits, but socializing losses. In the darkest days of the financial crisis, it seems to me that you and your friends were looking for stores to raid and you found a gem in IndyMac.

And with the government subsidizing the risk, you engineered a highly lucrative equation that made billions on the backs of homeowners, seniors, minorities, and military men and women.

And so I have a problem understanding how that creates confidence in the Secretary of the Treasury nominee when you have to be looking out for every American? And it did not seem that



when you had the chance to do that, and even the incentive, I would argue, by the backstop that the FDIC gave you and over \$400 million that your company took from HAMP, which I know you were disparaging before, that that was your drive.

So I need to be convinced that is going to be your drive now that you are the nominee for the Treasury Secretary who is supposed to represent all Americans.

Mr. MNUCHIN. Well, Senator, I hope I have the opportunity to convince you going forward. And I apologize, because I did not recognize the name, but now that you have mentioned it to me, it has been postponed, and I do not know any of the specifics, but as a courtesy CIT did inform me that your office had requested an extension and they did honor that and give an extension to revisit that.

And I am not involved in CIT anymore, but I would encourage you to make sure that you have, again—if there are complaints, there is a department within the bank that responds to this.

As I said earlier, any complaints that came through any government or regulatory agencies were responded to very carefully and reviewed by the OCC.

And again, I would just apologize to the extent there were any errors whatsoever. That is something that I am very sorry for. But having said that, we took over a mortgage servicing business that was not part of what we were trying to build. It was a mess when we got there. We fixed it; we cleaned it up. And to the extent that we made errors on some issues, we compensated people for that as part of the agreement that we entered into with the regulators, which we think was the right thing to do.

The CHAIRMAN. Senator Carper?

Senator CARPER. Thanks, Mr. Chairman.

Mr. Mnuchin, I note you introduced your dad earlier, and he is still sitting there behind you. How old is your father? How old is he?

Mr. MNUCHIN. Eighty-three? He's 83.

Senator CARPER. Well, you are blessed to have him with you.

Mr. MNUCHIN. Thank you; I feel that way.

The CHAIRMAN. He looks pretty good for 83 is all I can say. And I am in a position to say that. [Laughter.]

Mr. MNUCHIN. I am glad you said that. It is true.

Senator CARPER. Well, my parents are both deceased. A couple of things they used to say to my sister and me when we were growing up, over and over and over again—I do not know if your parents ever did that, hoping that it would somehow sink in. But one of the things they were always saying is, figure out the right thing to do, not the easy thing. And when it is the right thing to do, just do it. And they would say, treat other people the way you want to be treated—the Golden Rule.

My dad was always big on doing things well, doing everything well. I like to say, if it is not perfect, make it better. And my dad always used to say, just use some common sense. He said that to my sister and me a lot; we must not have had any.

But can you just think of a word of advice that your dad or maybe your mom has given you over the years that you could have used or should have used with respect to the foreclosures that you

were facing and what you did? Just very briefly, a word of advice from them.

Mr. MNUCHIN. Well, again, first of all, thank you. I agree with those many things that you were told. And as I mentioned, not only has my father had a big influence on me, but my mother—who has passed away, and my grandparents—in understanding the importance of hard work.

Again, I can tell you—

Senator CARPER. Just give me one, just one good thing from your mom and dad that applies to what guided you in this mortgage foreclosure situation, please.

Mr. MNUCHIN. Absolutely. And I think kind of, as you have suggested, that you should treat people as you would want to be treated: be sympathetic, be empathetic to those people and understand what they are going through.

Senator CARPER. Good. The other thing I would add to that is, everything I do, I know I can do better. And I think you have acknowledged that as well.

Mr. MNUCHIN. Absolutely.

Senator CARPER. It sounds like you guys tried, but we can always do better.

I want to go back to the issue of how to create a nurturing environment for job creation, job preservation, with respect to growing exports—you know, making sure that we get our products to markets across the world.

The President-elect has, I think—several times at least I have heard him talk about support for a duty on, like, items imported from China. I think it is, like, 45 percent; 35 percent duty on items imported from Mexico. I think he may be also considering an executive order imposing a 5-percent tariff maybe on all imports.

And I have a question with really three parts. And first, if the administration chooses to pursue such policies, how would you prevent those countries affected from imposing similar duties on American exports?

Second, Mexico is, as you probably know, our second-largest export market for goods. The top three exports in 2015 were machinery, electrical machinery, and autos, vehicles. If Mexico were to impose a 35-percent duty on American exports, do you have any idea what would be the impact on our manufacturing?

And third, what role would our government have in assisting those maybe small businesses that were harmed, and even not-so-small businesses harmed, the workers that might be displaced by the closing of international markets to our domestic manufacturers?

Mr. MNUCHIN. Well, first of all, those are all good questions. And let me assure you from my conversations with the President-elect on trade—and I have discussed a lot of the trade issues with him. I have also had the opportunity to work closely with Wilbur Ross over the course of the campaign, who is also very involved in trade, as well as Peter Navarro, who will be in the White House.

And trade, I think, as you know, at least certain enforcement issues of trade, cut across both the Treasury—the Commerce Department—and the USTR. So I would be working with those other people on a unified position on trade.

Where the President-elect has talked about it, I have never heard him talk about 30- or 35-percent tariffs across the board. I have heard him specifically say, well, if certain companies want to move their jobs, we are going to specifically put a tariff on them, okay?

Now, I think that that is something that needs to be looked at. And I do not think that is a plan that is going into action. I share your issues, that this is as much about growing exports as it is about growing imports.

And specifically with Mexico, I think most people acknowledge that NAFTA was negotiated a long time ago and we should reopen this agreement.

Senator CARPER. Well, actually, we did, and we did it in the context of TPP, as you know.

Mr. MNUCHIN. I understand that.

Senator CARPER. And my hope is that, when you all get settled in, you will go back—and when you are thinking about renegotiating NAFTA, make sure you understand what has already been done.

Mr. MNUCHIN. I would hope that the starting point is the work that you have done. And I am optimistic that we can renegotiate a deal that is both advantageous to us and advantageous to Mexico, that is a win-win for both countries.

Senator CARPER. Good. The last thing: when you are mentoring and giving advice to the President-elect, another word of advice from my parents to my sister and me—and it probably works on the tariffs, the imposition of tariffs—is, what goes around comes around. You maybe might want to keep that in mind. Thank you.

Mr. MNUCHIN. Just to clarify the record, I am not mentoring him, he is mentoring me.

Senator CARPER. I am not sure—

Mr. MNUCHIN. But I do give him advice. I would not qualify that as mentoring.

The CHAIRMAN. Senator Cardin?

Senator CARDIN. Thank you, Mr. Chairman.

I want to get to the tax issues for a moment, because we had a chance to talk about that in my office.

And I think we all would acknowledge that our income tax rates, personal and corporate, put the United States at a disadvantage in global competition and it is something we need to deal with.

We also recognize that, from a business tax point of view, it is not just the corporate rate, it is also the individual rate, since 90 percent-plus businesses pay the individual rate.

I want to talk about two standards that I hope will judge the review of tax reform so that we can have a simplified tax structure, one that is fairer to the American people.

One, I would hope that you would agree that we do not want tax reform to increase the size of the Federal deficit.

Mr. MNUCHIN. I am taking notes. I do not know if you want me to answer them one at a time or—

Senator CARDIN. Well, the second is that tax reform should be at least as progressive as our current tax code. That is, middle-income families should not be asked to pay more in regards to our tax code.

Mr. MNUCHIN. So, again, in both those issues—and I share your concerns on the first one—again, we do believe in dynamic scoring, and with the appropriate growth, I think we want to make sure that tax reform does not increase the size of the deficit.

And in regards to the second issue, as I have said, in my discussions with the President-elect—he is very interested in us providing a middle-income tax cut. That is his priority.

Senator CARDIN. And I would just urge you, on the first part, to recognize that we have to be disciplined as we deal with the Federal budget. And I would hope we would have consistent rules in regards to both spending and tax cuts as to the dynamic effects of those types of activities.

It is a lot easier for us to use the current rules because they are objective and we have professionals who give us the ground rules. When we start using subjectivity, it could be abused, and, at the end of the day, we could have much larger deficits.

But your point is, you do not want to add to the deficit of the country—

Mr. MNUCHIN. That is correct.

Senator CARDIN [continuing]. Through tax reform. And secondly, you want to make sure that middle-income families are not disadvantaged by the tax code.

So here is the challenge. We also believe we should be competitive globally, because you want to grow our economy in regards to exports. It is difficult to see how you can get that done within the context of using just income tax revenues. Because the United States, among the industrial nations of the world, has a relatively low part of its economy tied up in government, and yet we have marginal tax rates that are among the highest in the industrial world. The reason, of course, is that we do not use a consumption tax and every other industrial nation uses a consumption tax.

So without bringing in other sources of revenue, we are going to have a very difficult time getting those competitive tax rates. So I would just urge you, as I did in my office, to take a look at a progressive consumption tax.

It is border-adjusted, it does reward savings, and it does make our tax code not only competitive, but it gives us a competitive advantage over the industrial nations of the world.

Mr. MNUCHIN. Well, again, I appreciated meeting with you and talking about these issues and will follow up. And again, under the appropriate growth numbers, as I have said, with dynamic scoring, we are not looking to grow the deficit. And obviously, one of the concerns is the size of the debt and how it has gone up.

In regards to your other issue, you know, one of the issues—and this impacts trade policy—is we do not have a VAT tax system, we have an income tax system, and other countries do. And that is one of the things that the GOP plan looks at.

Senator CARDIN. And of course, the rest of the world uses consumption taxes that are border-adjusted. We use income taxes. Income taxes are not border-adjusted. That makes it difficult for us to grow exports. It also, of course, does not reward savings, which is another important area.

During the best of times, America's savings ratios were not competitive with other countries. We could use more incentives for sav-

ings, which is the other area that we talked about in my office, that Senator Portman and I and others have worked on: to increase the opportunities for Americans to save, particularly in retirement savings. That, I do believe, would not be a partisan issue.

And as we are working for major tax reform to try to make our tax code fairer and more competitive, I would urge you to work with us on retirement savings and other savings initiatives that we could make progress on, I think, in a relatively short period of time.

Mr. MNUCHIN. I look forward to working with you. Thank you.

Senator CARDIN. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you.

I have to apologize to Senator Stabenow. She should have been next, so we will turn to her now.

Senator STABENOW. Well, thank you very much, Mr. Chairman. Mr. Chairman, I want to thank you very much for allowing us to have an opportunity to fully ask questions in multiple rounds. We really appreciate it and the way you are conducting the hearing.

The CHAIRMAN. I hope we only have two rounds.

Senator STABENOW. So—yes, well, thank you; thank you for allowing that.

Mr. Mnuchin, this really is a physical marathon, I think, of endurance in just the nomination hearing, so we appreciate your hanging in there as well.

Mr. MNUCHIN. Thank you.

Senator STABENOW. A couple of different things. First of all, following up colleagues speaking about jobs going overseas, this is obviously a very critical issue for Michigan. We make things, we pride ourselves in making things. Manufacturing is one of the most significant parts of the economy.

I have been working for a number of years on a bill that we call “Bring Jobs Home Act” that would end the ability of a company to write off the costs of moving overseas. I do not know why, if a facility is closed, the workers and the taxpayers in the community should pay for the move. And that certainly seems in line with what our incoming President has said. Would you support stopping that, right off?

Mr. MNUCHIN. I look forward to working with you on that. I can tell you it sounds like something the President-elect would like, so I look forward to working with you on that.

Senator STABENOW. Well, I think it is important that we take step one. Of all of the loopholes that are there, the first one is, we should not pay for the move. So I appreciate that and hope that is something that will be embraced.

A different subject: I know colleagues have talked about pensions, which are critically important. People, you know, throughout their lives often give up a pay raise to put money into a pension. This is very serious what is happening to pensions around the country, and certainly whether it be a multi-employer pension or single employer pension, I am deeply concerned about what is happening to people.

We have heard from the GAO in 2013 that if there was a multi-employer pension fund that became insolvent, a very large troubled plan, then we could see an estimated benefit paid by the PBGC be

reduced to less than 10 percent of the guaranteed level. So you would be talking about somebody who worked hard all their life who should be getting \$2,000 a month then could end up with \$125. Seems to me that is a pretty basic promise that we need to keep. Rather than ask you to comment at this point, I am going to go on to the other piece of keeping our promises and ask you to respond to both.

One is a pension and the other is Social Security. As Treasury Secretary, you will be a trustee, a very important position. I think it is important to know if you are committed to upholding the new President's promise in May of 2015 that he would not support cuts to Social Security.

Mr. MNUCHIN. I absolutely support the new President's promise; that is why I am here.

Senator STABENOW. And secondly, what is a cut? I mean, we have heard about increases in the retirement age; is that something that you would support?

Mr. MNUCHIN. Again, I have heard the President-elect's promise, and I would sit down and discuss it with him, and I am happy to work with you on the specifics. But I have not discussed the specifics with him, but I know from a high level how he feels. And just going back to the pension fund issue, I acknowledge it is a very significant issue and something I look forward to working with you and your office on.

Senator STABENOW. This is very real for people and came just as the financial crisis created a serious situation for people in home values and for financial institutions. We all know pension funds were involved in that as well and somehow did not make it to the top in terms of being able to be made whole. And so I think that is an unfulfilled promise and obligation that our country still needs to keep.

On Social Security though, there are a lot of ways—I mean, what is a cut? There are a lot of different ways to look at this. Whether it is raising retirement age, changing CPI, progressive price indexing, privatization, cuts in the amount of benefits, all of these things would reduce a retiree's or worker's lifetime benefits as they become a retiree, and all of them are extremely significant.

Just out of curiosity, do you know the average Social Security benefit per month?

Mr. MNUCHIN. I do not. I apologize.

Senator STABENOW. \$1,228.12. Not a lot to live on, and for about a third of the seniors in the country, that is 90 percent or more of their income. So, thank you very much.

Mr. MNUCHIN. It is a very significant issue, and I appreciate that. And if I am confirmed, I look forward to working with the President-elect on this important issue.

Senator STABENOW. Thank you.

The CHAIRMAN. Thank you, Senator. Senator Brown?

Senator BROWN. I have been pleased, Mr. Mnuchin. Thank you and sorry you had to hurry through lunch.

Mr. MNUCHIN. That is okay.

Senator BROWN. I saw you sitting in the back room eating a lunch, probably that you have eaten faster than any time lately, so thank you for that, and for your patience.

I have been pleased the President-elect is committed to helping manufacturers. He wants to buy American, hire American. I am sending him a letter today. This letter that I hold up will let him know I will be introducing legislation to extend Buy America to all Federal infrastructure, construction, and public works projects. If taxpayers pay for it, whether it is a water and sewer system or a bridge, or whether it is steel or iron, or whether it is cloth for an American flag in Akron, OH, over the post office, if taxpayers pay for it, our companies and our workers should build it. So I just wanted to let you know of that.

Now I want to talk to you about China. I have never met a Goldman Sachs banker who wanted to get tough on China. Based on your Wall Street background and financial dealings, I am concerned about what I have seen in the past with bankers being what I would say is soft on China. Let me lay out a couple things.

Relativity Media is a Beverly Hills company invested in movies, as you know, among other things. When you were co-chair there during 2014 and 2015, the company received investment from Chinese investors in the company's films and partnered with the government of the People's Republic of China to promote and distribute Chinese films. China readily admits it wants to become more powerful by increasing its cultural influence in this country and expanding its financial stake in the U.S. film industry. You were a board member of a company that partnered directly with the Chinese government that increased their influence in Hollywood. Were you helping China expand its global power?

Mr. MNUCHIN. Let me just first comment—

Senator BROWN. And try to make the answer really short if you can.

Mr. MNUCHIN. I know. But I apologize. First of all, I left Goldman Sachs 15 years ago.

Senator BROWN. I know.

Mr. MNUCHIN. So just going back to trade, I think of myself as a regional banker—

Senator BROWN. Okay, okay.

Mr. MNUCHIN [continuing]. Not Goldman Sachs. As it relates to my experience with Relativity, the Chinese never invested in Relativity, and I do not recall them ever having invested in Relativity films. They did have a small joint venture in China that was not particularly successful, for what it is worth.

Now in regards to my view on China, I 100-percent support the President-elect's view that we need to look at China overall, from a trade standpoint and an economic standpoint and a security standpoint, and I look forward to working with him on that.

Senator BROWN. That is not—what you said is not from the reports we get. We will follow up, by mail, or maybe we will follow up by letter to you to talk about that.

Mr. MNUCHIN. I am happy to.

Senator BROWN. Let me shift. China, as you know, has great capacity in production of steel. Their distortion of the global steel market puts American workers out of jobs. You and the President-elect talked about that in places like Youngstown, OH. Will you commit to make public a comprehensive plan to address global

overcapacity in the steel industry within the first month you are on the job?

Mr. MNUCHIN. I do not want to make that commitment, but I am happy to work with your office on this issue—

Senator BROWN. You do not want to make a commitment it will be the first month, or you do not want to make a commitment that you will put together a substantive comprehensive plan to address global overcapacity?

Mr. MNUCHIN. I will make a commitment to sit down with your office and work on this issue and then figure out the time frame and whether we should be making it public, but I understand the issue. The President-elect is concerned about these issues, and we will work with you on this.

Senator BROWN. Thank you. I want to follow up on—you said you left Goldman 15 years ago, correct?

Mr. MNUCHIN. I did. 2002.

Senator BROWN. You are aware, I think, that during part of the time you were at Goldman, that you were one of the two firms—I am not saying you worked on this personally, but I am saying that Goldman is one of the two firms that managed the portfolio of the Central States Teamsters Pension Fund. And I think that you are aware that while Goldman was a manager of the funds of Central States, the plan lost 40 percent of its value, more than double the average losses for a defined pension benefit plan during that period. Due in part to those losses, in part due to Goldman Sachs's—I would call it mismanagement of that plan—the Central States Teamsters Pension Fund, as Senators Stabenow, Nelson, and McCaskill said, is in distress and at risk of becoming insolvent.

There is a certain irony that, if you are confirmed, you will be a member of the board of the PBGC, as I think you know, and responsible in many ways for protecting the pensions of more than 400,000 working families. You, I assume, do not know who Butch and Rita Lewis are. They are constituents of mine and Senator Portman. He worked as a trucker for 40 years. He was a teamster; he led the Southwest Retirement Pension Committee's fight against cuts to their earned benefits. He passed away on New Year's Eve, due to a stroke, which doctors have attributed, at least in part, to the stress he faced over proposed pension cuts. His wife lives in southwest Ohio. She has taken up his fight. She will lose almost her entire pension. So I know you said you are not for finding a way to make these pensions whole, but understand that this Congress bailed out Wall Street banks, including Goldman, and I hope that you will change your mind on helping make these pension whole.

Mr. MNUCHIN. And I appreciate the significance of the pension issue, and I can assure you I had nothing to do with that issue when I was at Goldman Sachs.

Senator BROWN. I knew that, but that does not make Rita Lewis feel any better.

Mr. MNUCHIN. I completely understand that, Senator; I appreciate that.

Senator BROWN. I just know there is an ideological antipathy in this body from its more conservative members who helped the Wall Street banks to help workers like Rita Lewis's husband.



The CHAIRMAN. Well, that is going a little far. I do not know anybody who wants to do that.

Senator BROWN. Okay, Mr. Chairman, I will finish my comments. There is one more point I want to make.

Last year—I work with some manufacturers concerned that a metals warehouse owned by your former employer Goldman was driving up aluminum costs. The Fed proposed rules to reign in merchant banking authority that allows banks like Goldman to own these metal warehouses. We have done some hearings on that. Will you make it a priority to help the Fed finish its merchant banking rules and to use Treasury's authority to address these unfair practices?

Mr. MNUCHIN. Absolutely. I would be happy to look into that and work on that.

Senator BROWN. Okay, that you understand. Thank you. I understand Treasury has joint rulemaking authority in merchant banking. So they have a role, you have a role, and I hope that you exercise it.

Mr. MNUCHIN. Thank you.

Senator BROWN. Thank you, Mr. Mnuchin.

The CHAIRMAN. Thank you, Senator. I guess, Senator Warner—or excuse me, Senator Heller, I'm sorry.

Senator HELLER. Mr. Chairman, thank you. And, Mr. Mnuchin, thanks for your patience. It is a long day, but I hope it is only 1 day. I want to talk—I do not question the President-elect's desire to repeal and replace Obamacare. He said it, and I do not doubt it. What I do question is what his positions are on all the taxes. And as you know, there were a dozen or more taxes in Obamacare, a trillion dollars, new taxes on middle-class America. Can you clarify to me the President-elect's position on the taxes that went along with it? Does he want to keep them, does he want to repeal them? Give me your best thoughts.

Mr. MNUCHIN. So first of all, again, I just want to apologize that we did not get back to you on that information. And I assure you I have read my staff the riot act; this will be our top priority when we leave today.

Senator HELLER. Thank you.

Mr. MNUCHIN. In regards to Obamacare, I have not been as involved in the specifics of the repeal and replace, or replace, as it relates to the taxes. My understanding is to get rid of the surcharge on that.

Senator HELLER. Obviously there are a number of controversial taxes in there—the medical device tax, of course, being one, the Cadillac tax being another—and I want to kind of hone in a little bit on this Cadillac tax. Because as you are well-aware, it is a 40-percent excise tax on what they consider, or deem to be, Cadillac plans, and most people who have what would qualify as a Cadillac plan do not come anywhere close to high-end health-care programs. This would affect 1.3 million Nevadans, 120 million Americans—we are talking seniors, unions, public employees, go down the list—who are going to be hit by this 40-percent excise tax. Give me your feeling on this and your desire to repeal a tax of this nature.

Mr. MNUCHIN. I agree with you, and, as I said, I am not as close to the whole Obamacare discussion right now, but I will definitely follow up with you on that, and I agree with your view.

Senator HELLER. Okay. It was postponed 2 years to 2020, from the work of Senator Heinrich from New Mexico and myself. We are working hard, and what I just want is a commitment to work with us as we go forward on this, and hopefully we can repeal what I consider to be a very onerous tax.

Mr. MNUCHIN. All right. It sounds like what you are saying makes absolute sense, and you have my commitment to work with you on that.

Senator HELLER. Thank you. I want to talk also a little bit more about housing. Seventeen percent of the houses in Nevada are currently still under water—17 percent. I want to talk about the mortgage debt tax, really quickly. The IRS deems it a gift, today that, if you bought your house for \$250,000 and today it is worth \$200,000 and you sell it for \$200,000, they deem that \$50,000 as a gift and want to tax you on it. Now Senators Stabenow, Isakson, and Menendez, we have worked closely on this, and it expired as of January 1st. We have reintroduced that legislation to try to eliminate this burden on the taxpayer. I would like to get your understanding of this, your feelings on it, where your support would be on this particular piece of legislation.

Mr. MNUCHIN. Yes, you have my commitment to work with you. If it is not bad enough that the person lost their home, but then we have to send them a tax bill—I agree with you on that.

Senator HELLER. I appreciate your support. Mr. Chairman, that is all I have.

The CHAIRMAN. Senator Warner?

Senator WARNER. Thank you, Mr. Chairman. I just want the record to reflect I would differ with my colleague, the Senator from Nevada, in terms of characterization of most of the funding that went in for Obamacare. In terms of the capital gains surcharge for folks like you and me and the higher-income surcharge again, for folks like you and me—and I know this has not been your focus yet—but in any world, in any form of hocus-pocus, dynamic-scoring scheme, the ability to say we are going to, as the President-elect has said, maintain the prohibition against pre-existing conditions, keep kids on their parent's policies until they are 26, make sure there is insurance for everybody, and pay for it all, will be a curious act.

Let me come to my questions, though. I appreciate very much your earlier comments to me and Senator Crapo about GSE reform. But I want to clear up one thing. As you are aware, there have been a number of hedge funds, that, at the absolute demise of those Fannie and Freddie holdings in the public markets, went in and bought them cheap. That is what hedge funds do. And they have then launched a remarkable campaign, both public and private, of lobbying that is in certain ways, in terms of even character assassinations of certain Senators, almost unprecedented. The President-elect and you invested in one of those funds. The President-elect has divested himself; I imagine you will divest yourself as well. But again, in light of your firm commitment earlier not to go with some kind of recap and release scheme that would greatly

enhance those hedge fund profits, I believe, and then leave the taxpayer potentially holding the bag if another housing crisis took place, I just thought you would probably want to comment on that and reaffirm that commitment that you will be looking out for the interests of the taxpayers and not some of the folks who might have invested in it in the past.

Mr. MNUCHIN. I mean, first of all, let me just comment. I have divested my interest in that fund as well already. And as I said, my job is to look out for what is in the best interest of the taxpayers, balancing this issue—the need for housing reform and making sure that we maintain housing liquidity—with making sure that the taxpayers are not on the hook for that. And whatever the legal issues are associated with that—again, as it relates to the entities, I have tremendous expertise on the entities. As it relates to the legal case of various holders of different securities, I have not studied that at all—

Senator WARNER. And I would encourage those of us who have been part of the reform to realize that legal proceedings will continue.

I want to—you are complimentary on my business background, and you know, obviously, you have had a great deal of success in business as well. One of the things I think that business people oftentimes bring to the political process is a willingness to look at things afresh. And you as a business person realize there are two sides of a balance sheet. There is revenue, and there is spending.

Mr. MNUCHIN. Yes.

Senator WARNER. Many people come to the political process and get hired into this process by taking absolutist pledges on things like revenues. As we discussed in my office, if you look—I shared with you the data of the 34 industrial nations in the world. Much to the surprise of many, America actually ranks 31st out of 34 nations in terms of total revenues as a percentage GDP, and that affects our tax rates compared to everyone else. I know you are not going to probably fully answer this, but my hope would be that you would not, moving forward in this position, take one of those absolutist pledges that, in an effort to try to prevent our \$19-trillion deficit from going much higher, with some of these tax reform plans putting a foot forward, that you are not going to arbitrarily prevent one whole half of the balance sheet from being considered in the whole question around revenues.

Mr. MNUCHIN. I mean, my only pledge is, I am working for the American people, and we will be open-minded about looking at different things. And the good news is, not only do I have, hopefully, a new view, but we have a President-elect who is willing to look at—

Senator WARNER. Well, I am going to hold you to that, because the absolutist approach, which never looks at revenues, leads us to the place where we are right now, where we are spending, frankly at the lowest level in modern American history, on education, infrastructure, and R&D, and that is not a good business plan. Let me go to two other questions really quickly.

An earlier comment—and I was a little surprised at your response. Going through the FDIC process with a relatively mid-sized institution—as I am sure you are aware, Lehman was much small-

er than most of the SIFI institutions—took 5 years in the bankruptcy proceeding. And in title II of Dodd-Frank, a bipartisan component of the bill that actually had 80 Senators' support, there was an acknowledgment that, while we need to prepare for bankruptcy proceedings and those liquidation plans that these institutions have to prepare, that if that proceeding could not take place, or if bankruptcy would not work, you had as a fallback provision, title II. It would concern me greatly if you agree with some of the other comments that that title II reserve that most of the large institutions actually believe strengthens the systems, you would be in favor of repealing.

Mr. MNUCHIN. Well, again, it is a complicated issue.

Senator WARNER. Absolutely. That is why I am concerned.

Mr. MNUCHIN. So again, I am not suggesting that we remove title II tomorrow without having the appropriate bankruptcy solution. And again, it depends on what is in bankruptcy. So it depends whether we are talking about a holding company that just has a bunch of sub debt and equity, or if, you know, we are talking about the bank. So again, we have had a process to resolve banks. What, again, I think that we need to look at is the holding company issues.

Senator WARNER. What I would simply point out—the National Bankruptcy Conference, which is composed of bankruptcy judges, lawyers, believes, quote, “orderly liquidation authority under title II should continue to be available, even if the bankruptcy code is amended.” Thank you, Mr. Chairman.

The CHAIRMAN. Senator McCaskill?

Senator MCCASKILL. Thank you. I want to gently take issue with my colleague, Senator Burr. It is clear that the Committee on Foreign Investment in the United States does have the responsibility of looking at foreign investment and whether it impacts national security. And clearly, as Secretary of the Treasury, you will have a role in that. And I think it would be hard to argue that debt owed to foreign entities by the Commander-in-Chief, the President of the United States, could not have any impact on national security. I recall that when a foreign company was looking at buying Starwood, for example, it was going to go to CFIUS for a decision. And I want to point out for the record that, if you decide somebody wants to come in and buy one of President Trump's properties, and if CFIUS meets and you decide it is going to risk national security by the location, or who the foreign entity is, the ultimate decision is—whose?

Mr. MNUCHIN. Well, again, let me just assure you, I am going to take my role as chair of CFIUS very, very seriously.

Senator MCCASKILL. I know, but if you take it seriously—

Mr. MNUCHIN. And as it relates to—

Senator MCCASKILL [continuing]. Then whose decision is it?

Mr. MNUCHIN. Again, as it relates—

Senator MCCASKILL. Mr. Mnuchin?

Mr. MNUCHIN [continuing]. To these different views on the President's business, again, you know, I will consult with the internal counsel at Treasury, in the ethics area at Treasury, and determine—and by the way, the general counsel at the White House—and we will figure out the right solution.

Senator MCCASKILL. Do you know whose decision it is, ultimately, under the law?

Mr. MNUCHIN. Yes, I—

Senator MCCASKILL. And whose is it?

Mr. MNUCHIN. It is mine.

Senator MCCASKILL. No, it is not. It is the President of the United States'. You make a decision, and then it goes to the President, and the President gets to decide.

Mr. MNUCHIN. I understand, but—

Senator MCCASKILL. The same guy whom I think is going to hire his own ethics experts.

Mr. MNUCHIN [continuing]. I need to make a decision for it to go to the President.

Senator MCCASKILL. Okay, but if you make the decision that it should go to the President, I just wanted to point out for the record that, ultimately, it is his call. It is not your call. But you have a chance to make a recommendation to him.

Mr. MNUCHIN. I think we can all acknowledge that we are in a little bit of a unique situation. We have not had a President like this, who owns these types of—

Senator MCCASKILL. No, in fact—

Mr. MNUCHIN [continuing]. Businesses and someone who is willing, again, to come into government and serve the country as President. And I assure you, we will come back and talk about these issues—

Senator MCCASKILL. That's right.

Mr. MNUCHIN. I know there are different views here. We will work with the chairman on this as to the purview of the committee and the appropriate lawyers on this. Thank you.

Senator MCCASKILL. That's terrific. And it is different. And if we think in history that we got the emoluments clause because a foreign government gave a jeweled snuff box to the President of the United States, that almost seems kind of de minimis, in light of how complicated the international aspect of the holdings that the President is going to stay with through his presidency. So I do think you are inviting a lot more questions down the line. And while we are on this subject—besides being a former prosecutor, I am also a former auditor. So when I heard the President-elect's pledge about profits from foreign governments going to the Treasury, my ears perked up. Because, as you well know, you benefit from income to your business, even if it is not profitable, correct?

Mr. MNUCHIN. How do you benefit from income if it is not profitable?

Senator MCCASKILL. Well, let's say you are the Trump Hotel by the White House and you are losing a million dollars a year and a foreign government comes in and buys a suite of rooms for a year, which brings your balance sheet much closer to a loss of \$200,000 a year. Haven't you benefitted from that income of \$800,000 a year?

Mr. MNUCHIN. I am following your reasoning.

Senator MCCASKILL. Okay. So first of all, I think he has to, in order to make good on his pledge to do this, he has to pledge to give up all of his income from foreign interests, unless there is going to be an auditor who is going to decide if and when Mr.

Trump's businesses, that he has not divested from, are profitable from foreign involvement. Who is going to make that call? Is that going to be his family? Is that going to be his ethics officer? Is there anybody who works for you who is going to take a look at how he is determining whether or not he is profiting off foreign involvement in his wide variety of interests across the globe?

Mr. MNUCHIN. Again, I think you have raised some very interesting comments, and I would be happy to follow up with you. And I am sure the President-elect will put out more information on this, and I am happy to inquire with him. So, I understand your issues.

Senator MCCASKILL. Mr. Mnuchin, is there anyone who has income under \$200,000 who will receive even a dime from repealing Obamacare and the tax cut that goes with it?

Mr. MNUCHIN. Again, I think we are looking at overall tax reform, okay?

Senator MCCASKILL. My question is about repealing Obamacare.

Mr. MNUCHIN. This is just one aspect.

Senator MCCASKILL. In repealing Obamacare, you are going to repeal the taxes that are in Obamacare that strengthen Medicare and do all those things. If you repeal Obamacare, it will be a tax cut. My question is, will anyone who makes less than \$200,000 a year receive even a dime from that tax cut?

Mr. MNUCHIN. Again, I think we are going to look at tax reform overall and what it does. When Obamacare was put in, it was a tax hike on those people.

Senator MCCASKILL. People who make over \$200,000 a year?

Mr. MNUCHIN. Yes.

Senator MCCASKILL. No question. I mean, most of it was on people who make more than a million a year. So the answer is, not one dime of the tax cut that the Congress—the Republican Congress—is about to do on the repeal of Obamacare will go to one American who makes less than \$200,000 a year.

Finally, let me talk about pensions. You supported the bank bailout; so did I. You supported the stimulus; so did I. And we talked about this in my office. I think we both agreed it was necessary in light of what our country was facing. But to the pensions, you have an incredibly important role in the stability of guaranteed pensions in this country in the new job that you seek. I have 32,000 people in my State who worked hard for decades, most of them driving trucks. And they planned their lives around their pensions. My question to you—we can fund the bailout for the banks and we can provide stimulus; we can do an awful lot of things around here to help a lot of people who have a lot of money. Will you commit to meet with some of the truck drivers from my State so they can look you in the eye and explain to you that the guarantee of their pension—you know, your new boss did an amazing job connecting with people like these Missourians all over the country. He looked them in the eye, and he said to them, "I'm not going to leave you behind." I want to hear from you—

Mr. MNUCHIN. I would be happy—

Senator MCCASKILL [continuing]. That you are not going to leave these people behind.

Mr. MNUCHIN. What I will say is, I will commit to meet with them, and I will commit to work with your office on figuring out

what is an appropriate bipartisan solution to this issue, and that I appreciate the pension issue we have talked about several times today is a significant issue.

Senator MCCASKILL. Thank you, Mr. Mnuchin.

The CHAIRMAN. All right. Senator Casey?

Senator CASEY. Thanks, Mr. Chairman.

Mr. Mnuchin, I want to start with a question you have no doubt come across in your preparation, and it may have been raised today and I did not hear, in the back-and-forth we had today, being at other hearings, other appointments.

Currency manipulation, which is—I mean, the simple way for me to describe it in the context of Pennsylvania is, when a country like China cheats on their currency, Pennsylvania loses jobs. That is irrefutable, and that has unfortunately been an all too common occurrence. Maybe not at this moment, but when it happens, it is a substantial hit to workers and companies across our State.

Let me just get some basics down. In terms of the posture you have taken, the predisposition you have on this issue, were you to be confirmed as Treasury Secretary, first, this basic question: do you believe that currency manipulation is a violation of international trade laws and that a country that engages in that activity, that behavior, should be held accountable?

Mr. MNUCHIN. Yes, I do.

Senator CASEY. Second, while China's currency policies have shifted of late, would you commit to me, and to this committee, that if China began to manipulate its currency again, that you would recommend to the President that the government formally name China a currency manipulator?

Mr. MNUCHIN. I would.

Senator CASEY. And I am happy to hear you answer "yes" to both of those, because this is the kind of issue that cuts across both parties, cuts across all different points of view.

I want to move to some tax issues. You and I, when you came to my office, talked, not extensively, but for a little while about tax reform and your perspective on that. In particular I wanted to focus on the middle class. Many in the incoming administration have talked about trying to help the middle class, and correct me if I am wrong, but I think you have repeatedly said that you want to provide middle-class tax cuts, is that correct?

Mr. MNUCHIN. That is correct.

Senator CASEY. What specific provisions would you support as Treasury Secretary that would get to what you would define as a set of policies, or trade policies, that would provide that kind of middle-class tax cut?

Mr. MNUCHIN. Well, I think there are two different issues. I mean, there are trade policies and there are tax policies. So I see the trade policies as doing things that are beneficial for the American worker and American companies, and I see the tax policies as things that will incentivize businesses to be competitive here, as well as simplify the personal taxes and reduce middle-income taxes.

Senator CASEY. Well I hope we can be more specific, because I think the American people need to know that when any deal is reached in this town as it relates to taxes, whether it is tax reform

or whether it is something more limited, that the middle class does not get left behind, as they often have in tax policy.

I shared with you that piece from *The New York Times* this August by Neil Irwin; I think it was August 12th. I remember the date because of how stunning it was when he did the analysis of then-candidate Trump's tax proposal, which was really an embrace of the Republican House tax plan. The middle class got .2 percent, big bonanza there, and the top 1 percent got 5 full percentage points. Now you may debate and say Neil Irwin's piece was wrong, or other analyses are wrong, but I hope that, at the end of a period of time when this administration is working with a Republican Congress and has an agreement on taxes, I would hope that we would not see that kind of a bonanza, a giveaway, almost an unfettered giveaway, to the very, very wealthy.

The last question I have gets to the basic concern a lot of us have, which is that you are seeking to be, not just part of a cabinet, and not just part of a government, but arguably one of the top two or three positions in a new government at any time. I think that has been true since the time of the founders. And one of the reasons why a lot of us have concerns about your record or concerns about your work and concerns about your views is that you have not been through the scrutiny, frankly, that public officials go through, even appointed public officials. I know you are in the midst of that now, and I know it is a lot.

Tell me, in terms of your whole, either life experience, or work experience, what qualifies you, or what has prepared you, not just to fulfill the duties of the office—that is one question that is worth a significant review, as we have tried to do here today—but tell me what prepares you and what part of your life is relevant to the question of preparing to do public service in one of the most complicated departments of the most complicated government on the planet Earth, the Federal Government of the United States?

Some people would point to experiences they had outside of their day-to-day job. But tell me what you think prepares you to do public service, in addition to the duties of the Treasury Secretary?

Mr. MNUCHIN. Well, let me first comment on—I do think I have gone through an incredible amount of scrutiny on my investments and my private life, as part of doing this.

Senator CASEY. That is part of the deal. I mean, that is part of—

Mr. MNUCHIN. I am just saying, that is part of the deal, and I have fully disclosed everything, as you know. I consider it a great honor to be able to serve the country. And I think going back from the beginning of time, the idea that citizens would come into the government and serve the people—that is something I am doing. And it is no different than President-elect Trump. He has been a business man, and he decided to step away from his business and serve the country. And he spent the last 2 years campaigning and being on the road because he wants to serve the American people. And I share that desire.

In regards to what has prepared me, I have had several different careers. At Goldman Sachs I had tremendous experience in both the financial markets and in technology. I think both of those are very important things and expertise for a Treasury Secretary to



have. After that, I have been in the investment business, and, more importantly, I have been a regional banker. I think that being, actually, a regional banker who has lent money, I think that I have a unique combination. Unlike Hank Paulson, who just ran a big investment bank, I ran a big part of Goldman Sachs. I had trading experience, very similar to what Bob Rubin did, who was at Goldman Sachs and served the country. And on top of that, I have had the added benefit of actually being a regional banker and lending to companies, and that is something that I have been doing. And on top of that, I have worked very closely with the President-elect; I think one of the important parts of this job as the Treasury Secretary is to have a close relationship. I view my job as serving the President and being a conduit between the President's mission and between the Senate and the House. And I think I have a unique set of skills, and that is why he has chosen me for the job.

Senator CASEY. Well, I just would add to my earlier comments in this way: this is public service. It is not just being able to fulfill a duty or a job. You are a servant of the people. There is an inscription on a building in the State capital in my home State of Pennsylvania—it is a building I worked in for 10 years—and it describes public service the best way that I have ever seen. It says, “Public service is a trust given in faith and accepted in honor.” And that “accepted in honor” part is challenging for all of us. So I just hope that you bear that in mind, were you to be successful in the confirmation process.

Mr. MNUCHIN. Thank you.

Senator CASEY. Mr. Chairman, thank you.

The CHAIRMAN. Senator Menendez has one more question he would like to ask, and hopefully he will be the last one to ask.

Senator MENENDEZ. Thank you, Mr. Chairman.

You have heard a lot about pensions here, and I care about American workers and their pensions. And you served as director of Sears Holdings, which is the parent company of Sears and Kmart for about 12 years. You served on the finance committee, which was tasked with reviewing investment policies of the retirement plans of the company and its subsidiaries, is that correct?

Mr. MNUCHIN. That is correct.

Senator MENENDEZ. And the chairman and CEO of Sears Holdings is a gentleman named Edward “Eddie” Lampert, whom I understand is your former college roommate?

Mr. MNUCHIN. Actually, the benefit is, he is here with us today.

Senator MENENDEZ. Okay, good.

So you are also an investor in the hedge fund ESL Investments, which you are choosing not to divest yourself of, as I understand from your disclosure. The hedge fund is also run by Mr. Lampert. You earned up to \$26 million from the hedge fund last year, according to your disclosures. That same hedge fund currently holds 29 percent of its portfolio in Sears stock, and Mr. Lampert himself effectively owns 49 percent of Sears stock, according to public SEC filings. Are those all fair statements?

Mr. MNUCHIN. I think actually I have invested close to \$26 million; I did not make \$26 million.

Senator MENENDEZ. Okay, I equivocate with you. Now Sears has been performing poorly and, as a result, was forced to sell assets

to cover operating costs and to contribute to its pension fund. Interestingly, several of the most valuable assets have been sold in part to Mr. Lampert's hedge fund, including Lands' End, Sears Canada, and most of Sears real estate. The real estate was sold off to a different entity whose largest shareholder is Mr. Lampert's hedge fund. And that seems to have resulted in a shareholder lawsuit, according to SEC filings.

The Pension Benefit Guaranty Corporation initiated an agreement with Sears to protect the pension benefits of more than 200,000 plan participants after the real estate deal and significant cuts to pensioners' health subsidies; that occurred during your watch. Unfortunately, the agreement with the PBGC puts the plan's pensioners behind Mr. Lampert's hedge fund in the ability to get assets from Sears in any bankruptcy proceedings. Because of this, because Sears has received at least \$800 million in secured loans from Mr. Lampert's hedge funds, some of them secured by Sears properties, the Sears pension fund currently faces a \$2.1-billion funding obligation gap.

Now I take all this from filings and public reports, and I assume that basically is a fair statement.

Mr. MNUCHIN. That sounds about right, but let me—

Senator MENENDEZ. Let me get to my question—

Mr. MNUCHIN. Okay, thank you.

Senator MENENDEZ [continuing]. Then I am happy to hear your answer.

Are you aware that, if you are confirmed as Treasury Secretary, you would become one of three board members of the Pension Benefit Guaranty Corporation that has the power to either accept or deny a pension plan termination application, such as that which could occur with a Sears bankruptcy, making the Federal Government cover Sears' pension tab? Do you recognize that you are going to be part of that board?

Mr. MNUCHIN. Yes.

Senator MENENDEZ. You do. So, here is where my concern is, and maybe you can elucidate it for me.

You were a director at Sears for 12 years, where you had oversight over the administration and investment into the pension fund. That pension fund has been underfunded. Its benefits were cut during the time period that you were there. It now faces a \$2.1-billion funding obligation gap. Sears has sold off some of the most valuable assets while you have been on the board. Your college roommate's hedge fund has large interests in the properties sold, numerous secured loans with Sears, and owns a controlling share of Sears stock shares. You earned up to \$26 million last year from your shares in that hedge fund, and you are refusing to divest yourself of the hedge fund.

Should Sears go bankrupt, and you, if confirmed as Treasury Secretary, are a PBGC director who will have a role in the Pension Benefit Guaranty Corporation's attempts as an unsecured creditor to recover \$2 billion for the unfunded liabilities in the Sears Pension Fund, while simultaneously trying not to lose money in your hedge fund investments in Sears that you hold with your college roommate, who is the CEO of Sears, how is it that you are going to do that?

Mr. MNUCHIN. So again, let me just correct again, because you said again that I made \$26 million, which I did not. I invested \$26 million, so I just want to make sure that the record states that.

Let me first say that my original involvement with Mr. Lampert was in Kmart coming out of bankruptcy, where all the professionals thought that Kmart should be liquidated, and Mr. Lampert, and I working for him, saved tens of thousands of jobs. Sears, when he bought it, was already a failing issue, and the company has contributed multi-billion dollars to that pension fund, which had pension issues beforehand.

So I am well-aware of the pension issues, and that was something that, when I was on the board, we were very cognizant of and made very significant contributions. And then as it relates to your question, obviously I will recuse myself in any way as it relates to being on the board, if indeed there ever were an issue with Sears. Whether I had an investment in ESL or I did not have an investment in ESL, I would be concerned about any appearance of conflict. So I would recuse myself.

Senator MENENDEZ. Well, we will have to look at the consequences of any such recusal, because there are three members of the board who get a vote. And if you recuse yourself under that set of circumstances, I am not sure that the remaining two can ultimately make a decision on such a case which involves 200,000 people's pensions. So, it is a serious issue, and I urge your attention to it, in terms of thinking about how this very well may happen, because those pensions were underfunded and now we are going to have a set of circumstances at some point where we are going to have to deal with it. And so I bring it to your attention, because I think it is a serious challenge.

Mr. MNUCHIN. And again, I will work with the ethics office and the general counsel to work through that. And again, I would just comment that Sears inherited, when it was purchased, an underfunded pension fund and has contributed billions of dollars to this along the way.

Senator MENENDEZ. It may have inherited it, but—

Mr. MNUCHIN. Thank you for your concern.

Senator MENENDEZ [continuing]. But by the same token, it continued to underfund it.

The CHAIRMAN. All right. Senator Wyden is going to give his closing remarks, and then I will give mine.

Senator WYDEN. Thank you, Mr. Chairman. I want to review for the committee and colleagues where I think we are, both from the standpoint of process and from the standpoint of substance.

Now, Mr. Mnuchin, a month ago you signed documents and an affidavit that omitted the Cayman Islands Fund, almost \$100 million of real estate, six shell companies, and a hedge fund in Anguilla. This was not self-corrected. The only reason these came to light was, my staff found them and told you they had to be corrected. Now, I hope you will make another correction based on what I heard today. When we talked about the Anguilla fund, and I asked about whether you pursued this for the zero-percent tax rate, you said that it was really all about helping churches and pensions. Your words, not mine. I have an SEC document that indicates your help for a lot of private investors as well. So I hope that

you will take the comments you have made today, which I think led most people, and all who listened in, to believe that you were helping just churches and pensions so that they will get the exact facts. And the SEC document lays that out.

Now from the standpoint of substance, the Mnuchin Rule sounded promising to me when you said it the first time: no absolute tax cuts for the wealthy. So I, and other Senators—I thought Senator McCaskill's remarks were very good, probably considerably more eloquent than mine, when she asked about the ACA. Because, when you look at the ACA, it is really a Trojan Horse for tax cuts for the well-to-do. And both she and I pointed out that well-to-do people would get payroll tax cuts, and it would really be paid for by the working class losing benefits. And throughout the afternoon, when anybody asked a question about tax policy, Senator McCaskill, myself and others, you said, "Well, it all has to be considered as part of this big tax architecture;" your words, not mine. And you said this pretty much in response to any policy question. I am not clear whether you knew anything about the Earned Income Tax Credit, for example, and certainly, if you did, you can include that for the record as well. But your point there was, it has to fit into the overall tax architecture. Well, the Tax Policy Center, which is the center that does objective analysis, indicates that the Trump plan, which you have been part of, would add billions—excuse me, trillions—to the debt and would disproportionately—it provides a tax cut to everyone, but it would disproportionately favor the well-to-do. And that really gets me to my last point, the point that I am really walking out of here with.

I feel very strongly about the tax system in America just being a broken, dysfunctional, rotting economic carcass. My wife usually says, "Stop there, because you're just going to frighten the children." So I am interested in fixing this, and I can tell you are interested in fixing it as well. And I think I mentioned to you in the office that with Republican Senators, including one whom the President-elect wants to have run the intelligence field, Dan Coats, I wrote a bipartisan bill. But the hallmark of that bipartisan bill is, it would give everybody in America the chance to get ahead. It would not just be stacked all in favor of the most well-to-do. And as far as I can tell with respect to your views, your views indicate that you do not share that kind of commitment to the kind of bipartisan tax approach that Dan Coats, Judd Gregg—Mitch McConnell's economics lieutenant—and I all put together. That is what I am walking out of here thinking about.

I am open to being persuaded, certainly, if I have missed something. It would not be the first time. But it sure looks like that tax world where there is one set of rules for the cops and the nurses and another set of rules for people who are well-connected, who can pretty much pay what they want, when they want, and maybe nothing at all, that system is still going to be pretty much alive and well with your approaches to taxes. So I appreciate having had this chance to discuss it today, and thank you for your time, Mr. Chairman.

The CHAIRMAN. Thank you, Senator. For the good of the order, I want to note that I have numerous letters and hundreds of signatures in support of Mr. Mnuchin's nomination. The support in-

cludes representatives in the banking industry, from small committee banks to the American Bankers Association; letters from groups of small business owners to the National Asian American Coalition to the National Diversity Coalition for families for a better America; individuals from churches, non-profits, and businesses; and business associations serving predominantly minority communities all over the U.S. are also included in the support for Mr. Mnuchin for the position of Treasury Secretary.

Now several of the letters, with some from people who are not personally acquainted with Mr. Mnuchin, applaud, among other things, Mr. Mnuchin's loan modification efforts when he had ownership in OneWest Bank. Now, without objection, the letters of support should be included in the record, where I think they should be.

[The letters appear in the appendix beginning on p. 104.]

The CHAIRMAN. Now, let me just say this. I want to thank my colleagues on the committee for their participation here today, and I especially want to thank Mr. Mnuchin for his patience and willingness to go through this long ordeal. If nothing else, Mr. Mnuchin, I think you should be commended for your endurance. As is typically the case with Cabinet nominees for an incoming administration, the timeline for written questions is going to be somewhat abbreviated. Well, I hope everybody pays attention to this: I asked that members submit their written questions for the record by 5 p.m. on Saturday, January 21st.

I am appreciative of you and your family being here and others who are in support of you, and frankly, I think you have handled yourself very, very well with very difficult questions by some of my colleagues—some of them really well thought-out, very interesting, and good questions. But you handled yourself very well, as well as any nominee for Treasury that I have seen in the whole time I have been on this committee. And we have had some really good people who have been well-known and are still well-known and who brought a lot to the table. I do not know that anybody is bringing as much to the table as you are. So, I am just hoping that you can help this country to get through its ordeals that it is going through right now, especially the economic ordeals. And I hope you will be a tremendous influence with our President-elect. I know he wants to change things, and I hope that he can. I hope we can get this thing at least going in the right direction in this administration, and if we can, I have a feeling you are going to be one of the reasons we do. So I am just personally very grateful to you for being willing to give your time to this.

I remember our discussion in the office. I said to you, "You're going to lose a lot of money taking this job." And your response was, "I don't care. I want to serve my country." And you *are* going to lose a lot of money. When you have had to sell off all your assets and so forth, you have made tremendous sacrifices to take this job. And I hope that our colleagues on both sides of the aisle will fully realize that, and realize how lucky we are to have people like you who are willing to give your life's work to something like this, because you love the country. And you are hoping that we can pull this country out of the, not only the fiscal and financial mess that

we are in, but out of some other messes that literally exist that we really have to change.

So with that, I want to thank you for your patience. I want to tell you that you have certainly impressed a lot of people here and especially me, and we are going to help you get through this ordeal and also help you when you are there. So just know that you have friends here on this committee, on both sides of the aisle, and for good reason. We all know that this job is one of the most important jobs in this country's history, and I think you are the man for it, and I just want to personally commend you and thank you for doing this.

With that, we will recess until further notice.

Mr. MNUCHIN. Thank you very much.

[Whereupon, at 3:26 p.m., the hearing was concluded.]

## APPENDIX

### ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

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SUBMISSIONS FOR THE RECORD FROM HON. ROBERT P. CASEY, JR.,  
A U.S. SENATOR FROM PENNSYLVANIA

**From WTAE Pittsburgh**

**Trump Pick for Treasury Secretary Foreclosed on Hundreds of Homeowners in Western Pennsylvania**

OneWest Bank under Steven Mnuchin called “foreclosure machine” by some.

January 16, 2017

By Paul Van Osdol  
Investigative Reporter

PITTSBURGH—Critics say President-elect Donald Trump’s pick for treasury secretary, Steven Mnuchin, ran a foreclosure machine at a major bank.

Mnuchin was CEO of OneWest Bank. Action News Investigates has learned that bank foreclosed on hundreds of homeowners in western Pennsylvania while Mnuchin was CEO.

Nellie Mlinek lost her husband to cancer. She lost her son to an overdose. And then she lost her home to OneWest Bank.

“One thing I’ll never get over is my son’s death,” Mlinek said.

Her son, Joseph, died of an accidental overdose in 2011. It devastated her emotionally and financially. Joseph was living with her and helping pay the mortgage on her home in Ruffs Dale, Westmoreland County—the house built by her late husband and their two sons more than 30 years ago.

She asked OneWest to help her keep the house by adjusting her payment. But she said the bank refused and then foreclosed on her.

“They should have worked with me to meet a payment that I could make,” Mlinek said.

She filed for bankruptcy but even that could not save her house. She said it’s caused her “a lot of depression.”

She has plenty of company.

- A house in White Oak was foreclosed in 2014.
- A house in North Versailles was foreclosed in 2013.
- A house in Penn Hills was foreclosed in 2012.
- A Pittsburgh house was foreclosed in 2011.

All of them were foreclosed by OneWest or a subsidiary while the bank was run by Mnuchin.

“Mister Mnuchin ran a foreclosure machine at OneWest,” said Paulina Gonzalez, of the California Reinvestment Coalition, which has documented OneWest’s track record nationally.

In one case, the group studied foreclosures on reverse mortgages, which primarily go to the elderly. Dozens of Pittsburgh-area homes foreclosed by OneWest had reverse mortgages.

The coalition found OneWest held 17 percent of all reverse mortgages nationally but the company was responsible for 39 percent of all reverse mortgage foreclosures.

“It calls into question the practices of this bank and again, are they callously foreclosing on seniors? Are they cutting corners if they’re foreclosing at twice the rate they should be?” Gonzalez said.

Mnuchin refused to be interviewed. His spokesperson, Tara Bradshaw, said some government reports show OneWest forgave delinquent borrowers more often than bigger banks. She also said OneWest had an “extremely low error rate.”

“Anyone who attacks Steven Mnuchin over his track record in saving the homes of delinquent borrowers either doesn’t understand the facts or has a blatant political agenda here,” Bradshaw said.

Action News Investigates found some instances in western Pennsylvania where OneWest was sued because of errors it allegedly made.

In one case, a Venetia homeowner said OneWest violated Federal law by “hounding” him and making “false and misleading statements” by demanding money he did not owe. The case was settled.

In another case, an Oakmont homeowner said OneWest called him 56 times over 2 months causing “emotional distress” and a “blatant disregard of the law and the orders of this court.” That case was also settled.

Mlinek voted for Trump. Now she’s having second thoughts.

Reporter Paul Van Osdol asked what she would like to tell Mnuchin.

“I would tell him there’s many, many more people like me that he’s dealt with, and you’ve got to have a heart,” Mlinek said.

Mnuchin left OneWest last year after it was taken over by CIT. He walked away with \$10.9 million in severance pay.

His track record at OneWest is expected to come under a microscope when the Senate holds hearings on Mnuchin’s appointment as treasury secretary.



**Making Home Affordable: Summary Results**  
**Program Performance Report Through September 2013**  
 HAMP Modification Activity by Servicer and Investor Type

Servicer	Trial Plan Offers Extended	All HAMP Trials Started	HAMP Permanent Modifications Started	Active Trial Modifications	Active Trial Modifications Lasting 6 Months or Longer	Active Permanent Modifications	Total Active Modifications			
							GSE	Private	Portfolio	Total
Bank of America, N.A.	582,295	250,251	113,118	5,478	1,594	76,886	24,791	41,849	15,724	82,364
Ch2Mortgage, Inc.	222,027	142,646	70,462	3,467	1,148	52,864	32,633	6,193	17,505	56,331
JPMorgan Chase Bank, N.A.	434,710	322,240	191,097	5,775	1,007	145,440	67,176	53,361	30,678	151,215
Nationstar Mortgage LLC	71,765	179,239	118,368	4,731	1,003	87,467	57,133	33,057	2,008	92,198
Ocwen Loan Servicing, LLC	293,354	333,007	233,129	14,501	1,082	160,409	39,066	119,517	16,327	174,910
OneWest Bank *	101,739	44,102	28,775	1,165	44	21,743	2	19,672	3,234	22,908
Select Portfolio Servicing, Inc.	86,776	91,745	52,239	5,257	1,191	30,129	458	30,851	4,077	35,386
Wells Fargo Bank, N.A.	275,927	305,007	179,733	8,957	771	135,690	55,701	28,135	60,811	144,647
Other Servicers	269,017	440,893	281,714	10,464	1,974	198,592	170,880	16,692	21,484	209,056
<b>Total</b>	<b>2,337,610</b>	<b>2,109,130</b>	<b>1,268,635</b>	<b>59,795</b>	<b>9,814</b>	<b>909,220</b>	<b>447,840</b>	<b>349,327</b>	<b>171,848</b>	<b>969,015</b>

\* OneWest Bank recently sold mortgage servicing rights to Ocwen Loan Servicing, LLC. The transfer is expected to close in stages during the second half of 2013. Therefore, Ocwen Loan Servicing, LLC includes a portion of the loans previously reported under OneWest Bank.

PREPARED STATEMENT OF HON. ORRIN G. HATCH,  
A U.S. SENATOR FROM UTAH

WASHINGTON—Senate Finance Committee Chairman Orrin Hatch (R-Utah) today delivered the following opening statement at a hearing to consider the nomination of Steven Mnuchin to head the U.S. Treasury Department:

Today we will discuss the nomination of Mr. Steven Mnuchin to serve as Secretary of Treasury for the incoming Trump administration.

I want to officially welcome Mr. Mnuchin to the Finance Committee. I appreciate your willingness to appear before us here today and to serve in this important position.

The position of Treasury Secretary is among the most important in the executive branch.

The next Treasury Secretary will be tasked with advancing policies that will improve our Nation's economic and fiscal outlook. The position oversees both the collection of taxes and the management of our debt.

In addition, as Congress works to reform our Nation's tax code and fix our broken health-care system, it is absolutely essential that we have a cooperative partner overseeing Treasury. That is, quite frankly, something that has been missing for the past eight years as the Obama Treasury has become increasingly opaque and non-responsive to inquiries and communications from members of Congress.

So, as we consider Mr. Mnuchin's nomination, ensuring that both Congress and the incoming administration are committed to sharing information and communicating on policy will be among my top priorities.

And, in that regard, I believe the President-elect has selected a nominee who will provide a clear channel of communication and be willing to work with Congress on these all-important efforts.

Another priority for me will be the advancement of pro-growth trade policies. While USTR is the principal agency for international trade policy, Treasury plays a key role in several important areas, including the development of international investment agreements and oversight of Customs revenue functions.

As the new administration comes in, I want to make sure, first and foremost, that our trade policies do no harm. Proposals to, for example, impose unilateral import tariffs as a key tool of international economic policy need to be carefully evaluated to ensure they do not hurt us at home.

In addition, I want to make sure that any new trade agreements establish the highest standards for U.S. stakeholders, consistent with the Trade Promotion Authority statute enacted in 2015.

Finally, I expect you to engage in much better consultations with the committee regarding U.S. trade policies than we have had under President Obama.

I look forward to a productive conversation about these issues today and in the coming months.

Objectively speaking, I don't believe anyone can reasonably argue that Mr. Mnuchin is unqualified for the position.

He has three decades of experience working in the financial sector in a variety of capacities.

He has been a leader and a manager throughout his career, demonstrating an ability to make tough decisions and to be accountable.

And, he has a reputation for being a problem-solver and an excellent communicator. Indeed, we have heard from numerous organizations and associations in a wide variety of industries all expressing their admiration for Mr. Mnuchin and their support for his nomination.

Put simply, if the confirmation process focused mainly on the question of a nominee's qualifications, there would be little, if any, opposition to Mr. Mnuchin's nomination.

Unfortunately, that's not the world we're living in.

Today, we are in the midst of an unprecedented effort to stall and prevent confirmation on the Cabinet nominations of an incoming President. It is disappointing that we've taken this turn in the Senate where the minority, openly and in so many

words, is committed to obstructing nominees to positions across the board. In many cases, knowing full well that they cannot prevent outright the confirmation of nominees, my colleagues are content to unfairly, and in some cases maliciously, malign more or less every nominee before they can assume their posts.

With regard to Mr. Mnuchin's nomination, we've seen quite a bit of consternation over the process and the timing of hearings. We've heard demands that we convene additional panels of witnesses, a step that has no precedent in the modern history of this committee. There was even a "mock hearing" on this nomination yesterday, held outside of the committee, focused on issues that are essentially unrelated to the Mr. Mnuchin's qualifications.

Let me be clear. While my colleagues may believe that nominees in the incoming administration should be treated differently than those of any previous administration, on this committee we have followed the same vetting and hearing process that has been in place for decades, applying to both Republicans and Democrats alike.

With regard to the substantive arguments being made in opposition to Mr. Mnuchin, I am hesitant to go into too much detail before giving the nominee a chance to refute any accusations that have been made.

That said, I do want to note a few simple facts.

First, no one has credibly alleged that any laws, regulations, or industry standards were violated by companies run by Mr. Mnuchin. On the contrary, speaking of the main set of allegations regarding the foreclosure practices of OneWest Bank, all independent evaluations of the company's actions have resulted in high marks. This includes reviews by the FDIC Inspector General and the Department of Treasury.

Second, any claims that Mr. Mnuchin's businesses contributed to the housing and foreclosure crisis that precipitated the financial collapse of 2008 are similarly lacking in merit. Mr. Mnuchin had no involvement in the mortgage market in the years leading up to the collapse. In fact, it is my understanding that, after purchasing IndyMac and all of its toxic mortgage assets, Mr. Mnuchin's company offered loan modifications to the vast majority of its delinquent borrowers and was one of the very first institutions to make offers to forgive portions of loan principal balances in order to reduce foreclosures.

To that point, Mr. Mnuchin is joined by a guest today: Ms. Faith Bautista, President and CEO of the National Asian American Coalition and head of the National Diversity Coalition. In those capacities, she worked with many homeowners to work out loan modifications with OneWest Bank. She is here today to support Mr. Mnuchin's nomination.

Finally, I'll just note that those making claims that Mr. Mnuchin's connection to the mortgage and banking industry is, on its own, disqualifying are conveniently forgetting that the current Treasury Secretary's tenure at a major Wall Street bank included overseeing business units that were sanctioned by the SEC and others for practices that harmed innocent investors. Yet, when his nomination came before the Senate, this connection to Wall Street and the financial crisis was deemed forgivable.

Like I said, I'll let Mr. Mnuchin defend himself from the specious lines of attack, which, given the lack of credibility in the accusations, shouldn't be too difficult for a man of his talents.

For now, I simply hope that we can have a fair and open discussion during the course of what will likely be a long hearing. And, I hope that, going forward, my colleagues will apply the same standards, both in terms of process and policy substance, that have applied to nominees in previous administrations.

Once again, I want to thank Mr. Mnuchin for being here today. I look forward to hearing his testimony.

LETTERS SUBMITTED BY HON. ORRIN G. HATCH

NATIONAL DIVERSITY COALITION  
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January 2, 2017

***National Diversity Coalition Supports Steven Mnuchin for  
 U.S. Secretary of the Treasury***

Dear Chairman Hatch and Senator Wyden,

Many members of the National Diversity Coalition have worked with Mr. Mnuchin and OneWest/CIT over the past 5 years. Based upon his commitments to building a strong economy, including greater homeownership, more effective small business development, and youth financial literacy, we support Mr. Mnuchin's nomination as Secretary of the Treasury.

The National Diversity Coalition includes the leadership of our nation's 5,000 African Methodist Episcopal churches and 40,000 Latino evangelical churches, as well as leadership from major minority business chambers of commerce, such as the Los Angeles Latino Chamber of Commerce, and a broad range of minority nonprofits such as the National Asian American Coalition.

It is the expectation of the National Diversity Coalition that as Secretary of the Treasury Mr. Mnuchin will:

- work on efforts to expand homeownership from the present 50-year low of 62% to at least 70% of Americans;
- expand small business opportunities and assistance to move America from 29 million small business owners to 40 million small business owners; and
- reduce unemployment among those without college degrees to a level consistent with the overall 4.6% unemployment rate in the U.S.

As a first step, we hope and expect that Mr. Mnuchin will form a U.S. Treasury Consumer Advisory Board and will regularly meet with community members, including those who represent our nation's 130 million minorities and the 70% of Americans who live from paycheck to paycheck.

We also support the letter with more than 1,000 homeowner and small business owner signatories sent by the National Asian American Coalition on behalf of Mr. Mnuchin's confirmation as Secretary of the Treasury. Many of the leaders of the organizations signing this letter are prepared to testify at Senate hearings on Mr. Mnuchin's confirmation.

Most respectfully,

Faith Bautista  
 President and CEO, National Asian American Coalition  
 CEO, National Diversity Coalition

Mark Whitlock  
 Senior Minister, COR AME Church, Irvine, CA  
 Director of Corporate Partnerships, 5,000 African Methodist Episcopal Churches  
 Executive Director, Ecumenical Center for Black Church Studies  
 Chair, Orange County Interdenominational Alliance  
 Chair, National Diversity Coalition  
 Executive Director of the Cecil Murray Center for Community Engagement at USC

Jack Miranda  
 Vice Chair, Orange County Interdenominational Ecumenical Council  
 Secretary, National Diversity Coalition

Gilbert Vasquez  
 Chair, Los Angeles Latino Chamber of Commerce Serving 330,000 Latino Businesses  
 Treasurer, National Diversity Coalition

Regeanie Corona  
 CEO, Advancing the Seed

Cora Oriel  
President, Asian Journal Publications

Jin Sung  
Executive Director, OASIS Center International

Everett Bell  
Founder and Executive Director, Impact Southern California Community Development Corporation

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December 29, 2016

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

**Appointment of Steven Mnuchin for U.S. Treasury Secretary**

Dear Sirs,

I am writing to show my support for the nomination of Steven Mnuchin to serve as the United States Secretary of the Treasury in the incoming Donald Trump administration.

As a minority-owned small business, our greatest concern pertains to the economic and job opportunities within our community and beyond. With the experience that Mr. Mnuchin has gained during his career in the finance and banking sectors, I believe he is readily equipped to serve our country and tackle the concerns of our constituents head on. His prior leadership positions have sculpted him into an ideal candidate to help the Treasury Department achieve the nation's financial objectives. Without a doubt, I know that Mr. Mnuchin will serve our country effectively and efficiently as the United States' next Secretary of the Treasury.

With utmost respect,

Royal Placement Services  
Sylmar, CA

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December 25, 2016

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

**Appointment of Steven Mnuchin for U.S. Treasury Secretary**

Dear Sirs,

We are writing to show our support for the nomination of Steven Mnuchin to serve as the United States Secretary of the Treasury in the incoming Donald Trump administration.

We believe Mr. Mnuchin's appointment and service will greatly benefit our country, based on his much-admired performance in various executive and leadership positions in the finance and banking sectors. His vast experience in these areas makes

him an ideal candidate to help the Treasury Department achieve its main objectives, including:

- Maintaining a strong economy;
- Creating economic and job opportunities by promoting the conditions that enable economic growth and stability at home and abroad;
- Strengthening national security by combating threats and protecting the integrity of the financial system; and
- Managing the U.S. Government's finances and resources effectively.

Respectfully yours.

This letter was signed by 728 individuals and organizations.

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January 2, 2017

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

**Strong Minority Small Business Support for our Next Secretary of the Treasury**

Dear Chairman Hatch and Senator Wyden,

America has 29 million small business owners. Small business owners are responsible for more than half of all new jobs in America. Today, as a result of too many regulatory agencies and a lack of a deep commitment to small business development, most small business owners and/or potential small business owners are unable to expand or start new businesses.

In too many cases, cabinet and regulatory agency leadership feud among themselves as to how regulators should encourage small business. We favor a Secretary of the Treasury such as Steven Mnuchin who has the experience and the commitment to bring agencies together to promote America's strongest domestic asset: small businesses and small business owners.

We are prepared to testify on behalf of Steven Mnuchin as our new Secretary of the Treasury, particularly if the hearing is held in Southern California. That is, the U.S. Senate should come to the small business owners for advice and input rather than small business owners being forced to testify in DC, the home of tens of thousands of self-interested lobbyists.

Most respectfully,

Willie Chu, Nautilus Seafood  
Wayne Berman, Nautilus Seafood  
Rodel Fuentes, Distinctive Contractors

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TEAM FREEDOM INTERNATIONAL INC.  
17127 Pioneer Blvd., Suite K  
Artesia, CA 90701  
P: 844-270-3563  
<https://www.teamfreedominternationalinc.com/>

December 27, 2016

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
 Ranking Member  
 Committee on Finance  
 U.S. Senate  
 Washington, DC 20510

Appointment of Steven Mnuchin for U.S. Treasury Secretary:

To Whom It May Concern,

I, Joel Esteves, CEO of Team Freedom International, Inc. hereby give my full support to the installation of the new U.S. Secretary of the Treasury—Mr. Steven Mnuchin.

With his background in Real Estate, Investment and the banking system, I truly believe that he is the right person for the position that Mr. Trump appointed him for.

He has displayed true leadership in the past and must be very confident in surpassing people's expectations for his new role as the new U.S. Secretary of the Treasury.

More power to Mr. Steven Mnuchin.

Very truly yours

Joel Esteves

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VANTAGESCORE  
 1055 Washington Blvd., 3rd Floor  
 Stamford, CT 06901  
<https://www.vantagescore.com/>  
 T: 203-363-2160  
 F: 203-569-0010

December 28, 2016

The Honorable Orrin Hatch  
 Chairman  
 Committee on Finance  
 U.S. Senate  
 Washington, DC 20150

The Honorable Ron Wyden  
 Ranking Member  
 Committee on Finance  
 U.S. Senate  
 Washington, DC 20150

Dear Chairman Hatch and Ranking Member Wyden:

I am writing today to lend my voice in support of President-elect Trump's nomination of Steven Mnuchin to serve as Secretary of the Treasury. If confirmed, Mr. Mnuchin would bring with him to the office of Secretary of the Treasury a wealth of diverse experience. While I do not know Mr. Mnuchin personally, others who do know him and whose judgment I trust have assured me of their confidence in his character, temperament, and abilities.

Last November 30th, the day it was announced that Mr. Mnuchin was President-elect Trump's choice to serve as Secretary of the Treasury, Mr. Mnuchin participated in a wide-ranging interview on CNBC's Squawk Box. Two of the points he made during that interview struck me as particularly relevant to his nomination to serve as Secretary of the Treasury because of the underlying tone of inclusiveness. Specifically, he not only noted that the Trump administration's "most important priority is to sustained economic growth" but he also stated very clearly that "our job is to make sure that the average American has wage increases and good jobs."

I strongly encourage you to schedule a confirmation hearing on Mr. Mnuchin's nomination at the earliest possible opportunity.

I trust that you find this input useful as you move forward with the nomination process. If you or other Members of the Committee have any questions or if I can be of further assistance in any way, please don't hesitate to contact me.

Sincerely,

Barrett Burns  
 President and CEO  
[barrettburns@vantagescore.com](mailto:barrettburns@vantagescore.com)

MORTGAGE BANKERS ASSOCIATION (MBA)  
 1919 M Street NW, 5th Floor  
 Washington, DC 20036  
<https://www.mba.org/>  
 (202) 557-2700

January 17, 2017

The Honorable Orrin Hatch  
 Chairman  
 Committee on Finance  
 U.S. Senate  
 219 Dirksen Senate Office Building  
 Washington, DC 20510

The Honorable Ron Wyden  
 Ranking Member  
 Committee on Finance  
 U.S. Senate  
 219 Dirksen Senate Office Building  
 Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden,

On behalf of the Mortgage Bankers Association (MBA), I am writing you regarding the nomination of Steven T. Mnuchin to serve as the next Secretary of the Treasury. I urge the Senate Finance Committee to approve his nomination as quickly as possible.

MBA believes the Treasury Department needs to address several critical issues that will have a positive impact on our nation's real estate finance market. First, more than eight years since the federal government took control of Fannie Mae and Freddie Mac, it is critical that the next administration work with Congress and key stakeholders to enact legislative reforms to our secondary markets and provide long-term certainty to the housing finance system. The next Treasury Secretary will play an integral role in these efforts. Second, there is bipartisan agreement that our nation's economy would be strengthened through the enactment of growth-promoting comprehensive tax reform. MBA and its members stand ready to work with all stakeholders regarding this process. We are committed to supporting tax reform legislation that will provide appropriate incentives for homeownership and promote growth in our country's residential, rental and commercial real estate markets. Finally, we urge the next Treasury Secretary to reevaluate international capital regimes to ensure they do not place U.S. financial institutions at a competitive disadvantage.

MBA believes Mr. Mnuchin's experience uniquely prepares him to understand and respond to the complex challenges that will face the next Treasury Secretary. We believe he will put his extensive talents to use in ways that will seek to strengthen America's housing markets and provide regulatory certainty for the real estate finance industry.

I would again respectfully urge the Finance Committee and, in turn, the full Senate, to approve Mr. Mnuchin's nomination. MBA looks forward to working with him in his new role. Thank you in advance for your consideration of these views.

Sincerely,

David H. Stevens, CMB  
 President and Chief Executive Officer

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NATIONAL ASIAN AMERICAN COALITION (NAAC)  
 15 Southgate Avenue, Suite 200  
 Daly City, CA 94015  
 Office (650) 952-0522  
 Fax (650) 952-0530  
<http://www.naac.org/>

January 3, 2017



***Why Asian American Community Supports Trump Nominee  
for Secretary of the Treasury***

Dear Chairman Hatch and Senator Wyden,

The National Asian American Coalition is one of the largest pan Asian American coalitions in America. We represent Asian Americans who wish to be homeowners and entrepreneurs, and we are strong proponents of effective youth financial literacy, particularly as it effects the many underserved Asian American communities throughout the U.S.

Although we and many other communities opposed many of the IndyMac policies and practices, including reverse mortgages and foreclosures, we recognized the crisis in 2008. We therefore reluctantly accepted the decision of the FDIC to sell IndyMac to the only investors interested in making a bid. In large measure our support is attributable to our high respect for, and confidence in, then-FDIC chair Sheila Bair. Even from the perspective of hindsight, we are unclear that there was any other choice at the time for the FDIC and Sheila Bair. We personally witnessed Mr. Mnuchin's actions to protect homeowners during this time by offering them loan modifications.

This letter of support for Secretary of the Treasury Nominee Steven Mnuchin is based in significant part on our coalition's recent meetings with Mr. Mnuchin and our continued relationship with CIT and its CEO. It is our belief that the past practices of IndyMac that are presently being questioned are not a predictor of Steven Mnuchin's leadership qualities as Secretary of the Treasury.

Based upon our meetings with many former Secretaries of the Treasury, including Summers, O'Neill, Geithner, and Lew, it is our belief that the new Secretary of the Treasury, Mr. Mnuchin is highly likely to carefully examine Treasury policies in the context of their impact on the 70% of Americans who live from paycheck to paycheck and our nation's 130 million minorities, including 20 million Asian Americans.

As a result of the actions of Mr. Mnuchin described above, and his commitment to further work on behalf of communities of color, the National Asian American Coalition was able to gather more than 1,000 individual signatures in support of his nomination.

Most importantly, we envision a Treasury Department that is as friendly to the 70% of Americans who live from paycheck to paycheck as it is to the highest-paid lobbyists, many of whom are among the one-tenth of 1% of Americans.

We are fully prepared and open to an invitation to testify on behalf of Mr. Mnuchin's confirmation as our next Secretary of the Treasury.

Most respectfully,

Faith Bautista  
President and CEO  
National Asian American Coalition

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NATIONAL ASIAN AMERICAN COALITION  
15 Southgate Ave., Suite 200  
Daly City, CA 94015

January 16, 2017

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20150

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20150

The National Asian American Coalition supports the nomination of Mr. Steven Mnuchin to become the Secretary of Treasury. Attached are letters from our home

owners and colleagues that had IndyMac/OneWest home loans and had been modified during the financial crisis. Our organization is a HUD Approved housing counseling agency that helps a lot of homeowners keep their homes. IndyMac/OneWest Bank was one of the banks that we worked with and had successfully modified home loans.

If you have any further questions, please contact our head office in Daly City, California at 650-952-0522.

Thank you.

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January 15, 2017

To whom it may concern,

My family's residential home was with IndyMac bank. My father, Rene Valbuena, was the borrower. My father was diagnosed with cancer in 2009 and we could not afford to pay for our mortgage payment since he was one of the main income providers. We submitted our loan modification request and submitted what was needed for the process. The communication was good and we were not passed around from one representative to another. After 2 months, we got our approval for our trial modification. We continued to pay the new modified monthly payment and it became permanent after the 3 months trial period. We were very grateful that our loan got modified. We chose to sell the property later on when my dad's cancer came back.

MY DAD'S LETTER TO INDYMAC  
(SENT DURING THE TIME OF MODIFICATION)

Thank you for approving me for the trial modification. Attached are the documents you required to update my loan modification files. The only thing lacking in my submission is the 2008 income tax return. I am trying to reconstruct my documents and I still intend to file my returns soon as I put together my paperwork. A lot were misplaced because I was seriously ill. I was able to file the 2009 since I now feel much better and could focus. Last year I was not able to file the 2008 because I was concentrating on staying alive. As I stated in my hardship letter, I was diagnosed with cancer last year. I had to stop working and was unable to keep track of papers I need to file. I had chemotherapy, radiation, and prophylactic cranial irradiation. I was hospitalized 3 times and it is just this year that I am still recovering from side effects. With God's help I am now in remission and starting to do part time work.

Leica Valbuena

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January 16, 2017

I am a previous homeowner in Walnut Creek, CA. My loan was with IndyMac Bank with high interest and approximately \$4,632.00 and a second mortgage with a payment of \$1,400.00 per month. I fell behind payments and my loan became in default after my spouse was diagnosed with cancer. My financial stability was greatly affected after all my credit cards were exhausted thus causing me to file chapter 13 bankruptcy.

OneWest Bank offered a loan modification with a lower monthly payment including interest rate. I decided to walk away because I am still unable to afford the payment due to reduction in income. They were very accommodating and even offered a moving allowance of \$5,000. I am thankful for everything they have done for me and my family.

Nora Penaflor

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January 16, 2017

Our names are Elpidio Delos Reyes and Nida Delos Reyes, located in Richmond, CA 94806. Our family asked for a loan modification from OneWest Bank on November 2011 through the help of the National Asian American Coalition. We were pleased with the process of how our paperwork was handled. We were never given any problem by OneWest Bank. They assigned only one single point of contact which makes it a lot easier and the process went smoothly.

Because of OneWest Bank's help and NAAC, we recommend Steven Mnuchin to be the Secretary of the Treasury. We were told that he was leading the bank when we got modified.

We thank Mr. Mnuchin and OneWest Bank.

Sincerely,

Nida Delos Reyes

Elpidia Delos Reyes

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January 14, 2017

My name is Mailene Pacifico. I am located in San Leandro, CA. I have an equity line of credit with OneWest Bank of \$53,176.00. We did a short sale of our home in June 2009. We thought our line of credit was also taken care off. Our credit still shows outstanding and we are having a hard time getting approval for any type of financing.

We went to National Asian American Coalition to ask for help. NAAC wrote a letter to OneWest Bank to ask for help so we can buy a home again. We are very pleased of the immediate action that OneWest Bank took for us. They did the necessary action so it will not show on our credit.

Because of OneWest Bank's leadership, we truly thank Mr. Mnuchin and OneWest Bank.

Sincerely,

Maileen Pacifico

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December 27, 2016

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

**Families for a Better America Supports Steven Mnuchin  
for U.S. Treasury Secretary**

Dear Sirs,

We respectfully urge you to help ensure that Steven Mnuchin becomes the next Secretary of the Treasury.

As the public record clearly shows, Mr. Mnuchin has the required training and leadership experience—particularly in the finance and banking sectors—that make him the ideal candidate to lead the U.S. Treasury Department in achieving its critical goals for the country. These include:

- The maintenance of a strong economy;
- The creation of jobs for those who have lost theirs and for those who are just entering the job sector;
- The protection of our financial system; and
- The effective management of our country's financial and other resources.

Respectfully yours,

Families for a Better America

This letter was signed by 266 individuals and organizations.

January 3, 2017

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

***Business Owners in Support of Steven Mnuchin for U.S. Treasury Secretary***

Dear Sirs,

We respectfully urge you to help ensure that Steven Mnuchin becomes the next Secretary of the Treasury.

As the public record clearly shows, Mr. Mnuchin has the required training and leadership experience—particularly in the finance and banking sectors—that make him the ideal candidate to lead the U.S. Treasury Department in achieving its critical goals for the country. These include:

- The maintenance of a strong economy;
- The creation of jobs for those who have lost theirs and for those who are just entering the job sector;
- The protection of our financial system; and
- The effective management of our country's financial and other resources.

Respectfully yours,

Robert Aguilar  
Rolando Esteban  
Small business owners

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AMERICAN BANKERS ASSOCIATION  
1120 Connecticut Avenue, NW  
Washington, DC 20036  
1-800-BANKERS  
<https://www.aba.com/>

January 12, 2017

The Honorable Orrin G. Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
SD-219 Dirksen Senate Office Building  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
SD-219 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

The American Bankers Association supports the confirmation of Steven T. Mnuchin as Secretary of the Treasury. ABA represents banks of all sizes, charters, and business models across the country. This diversity—which includes community, mutual, and trust banks as well as mid-size, regional, and globally active institutions—is critical to supporting America's complex, \$19-trillion economy, and the people, businesses, and communities that make up that economy.

Among the many responsibilities of the Treasury Secretary, foremost is the Secretary's responsibility to encourage and promote the economic strength of the United States, and to advise the President to that end. The economic growth and

strength of the United States is also what lies at the core of the business of banking. Our industry grows only as do the economy and finances of the nation, and as the people, communities, and businesses of the nation grow and prosper. We look forward to working with Mr. Mnuchin should he be confirmed by the Senate, on policies that will reinforce financial recovery and economic progress. His public statements as well as his career in finance bring us optimism with regard to the outlook for public policies focused on growth and prosperity.

Shortly following the November election, we sent a letter to President-elect Trump outlining some of the key policies that we believe would make an important contribution to a thriving economy. We particularly focused on smart regulation, bank supervision that is tailored and balanced to fit more efficiently and effectively the variety of business models presented by the thousands of banks in the U.S., and in the ways that they meet the various needs of their customers. The Treasury Secretary has an important role in encouraging financial regulators to coordinate their work, particularly in keeping with the needs for strong, prudential development of the economy.

ABA also believes that efforts in the coming months should incorporate attention to small business growth, the burdens of student debt, a thriving housing market that includes mortgage availability and appropriate housing finance reform. High on the priority list would also be reforming flood insurance, innovation that embraces technologies that improve the quality and accessibility of financial services, reinforcing cyber security and combating data breaches and financial fraud, and promoting the role of the market place in pricing payments systems and other financial services.

We look forward to working with the Treasury Secretary on these important issues and support the Committee's work to move forward with the nomination of Secretary-nominee Steven T. Mnuchin.

Sincerely,

Dorothy A. Savarese  
Chairman  
American Bankers Association  
Chairman, President, and CEO  
Cape Cod Five Cents Savings Bank  
Orleans, MA

Rob Nichols  
President and CEO  
American Bankers Association

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AMBASSADOR RONALD WEISER

January 16, 2017

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

I am writing today to express my strong support of President-elect Trump's nomination of Steven Mnuchin to serve as the next Secretary of the Treasury. If confirmed, Mr. Mnuchin would bring a wealth of knowledge and experience to the office. He has spent the last 30 years working in global trading markets, technology, operations, housing finance, regional banking and has a deep understanding of the financial markets that make him uniquely qualified to serve as the Treasury Secretary.

I have gotten to know Steven in his role as National Finance Chairman for Trump Victory. Having served with him as one of the six vice chairs of Trump Victory, I have had the opportunity to view his approach to a variety of tasks and to understand why he was chosen for this role. His years of work experience coupled with his ability to juggle a large number of balls in the air while keeping the finish line in clear sight makes him an ideal candidate. I also believe his banking experience and understanding of smaller local and regional banks could be helpful as we try to preserve these types of institutions for future generations.

I firmly believe that Steven is meant to hold this post, and strongly encourage members of the committee to proceed with his confirmation. If I can be of further assistance in any way please don't hesitate to contact me.

Sincerely,  
Ambassador Ronald Weiser (ret.)

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VINTAGE CAPITAL GROUP, LLC  
11611 San Vicente Boulevard, 10th Floor  
Los Angeles, CA 90049  
310-979-9090  
310-207-0035 fax

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From Carla H. Sands, Chairman

January 10, 2017

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

I am reaching out to you today to voice my strong support for President-elect Trump's Secretary of the Treasury Nominee, Steven Mnuchin. Steven possesses deep levels of financial knowledge and has demonstrated, time and time again, excellent and measured decision-making abilities. His knowledge of the global economic system is sufficiently well-rounded, and I believe he is fully qualified to serve as this nation's next Treasury Secretary.

I have known Steven for over 7 years, both personally and professionally. He is a man of outstanding character and integrity. Steven has proven himself to be an exceptional and philanthropic member of the community with a superb reputation.

The economic engine of America has been stalled for the last 8 years, due to high tax rates and onerous regulations. Steven Mnuchin and the Trump Economic Advisory team are proposing new and lower tax rates to get the economy moving again. Steven, as Secretary of the Treasury and working hand-in-hand with Congress, will spark America's long-awaited economic revival as business and individual tax rates are lowered and the entrepreneurial spirits of America unleashed.

It is my hope that members of the committee proceed with Steven's confirmation process on an expedited basis. Our country needs him.

Please let me know if I can be of further assistance to your committee.

Sincerely,  
Carla Sands

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STONE POINT CAPITAL

Stone Point Capital LLC  
20 Horseneck Lane  
Greenwich, CT 06830  
203-862-2970 Fax 203-862-2971  
cdavis@stonepoint.com

January 12, 2017

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

It is my privilege to provide this letter of support without reservation for the nomination of Steven Mnuchin to serve as the Secretary of the Treasury.

I have known Mr. Mnuchin for approximately 30 years and am confident that he has the intelligence, experience, dedication, and temperament to be successful if confirmed as Secretary of the Treasury. He has a broad and deep base of knowledge that spans global markets, housing finance, technology, and banking, among other areas, and is one of the most effective and hard-working executives that I have met during my 40-year career in the financial services industry. I firmly believe that Mr. Mnuchin is uniquely positioned to serve as both a thoughtful economic advisor to President-elect Trump and a strong leader of the growth, reform, and other initiatives to be pursued by the new administration.

I am CEO of Stone Point Capital, a private equity firm that invests exclusively in the financial services industry. Our clients include state investment funds, pension funds, endowments, and other leading institutions. During the height of the financial crisis in 2008, our firm entrusted Mr. Mnuchin with fiduciary funds for the opportunity that he created to bring capital into the U.S. banking system at a time of significant need. With this investment, I was able to witness firsthand how Mr. Mnuchin worked tirelessly and effectively to ensure that funding was available to allow IndyMac to transition out of FDIC conservatorship when most institutional investors were unwilling to provide any capital to our banking system.

IndyMac was a seriously challenged institution that had many organizational and other problems. Options for resolving IndyMac were extremely limited, and possibly non-existent, at the end of 2008. The actions of Mr. Mnuchin produced an option for the FDIC that saved the public from further losses and preserved thousands of jobs in California and Texas. Moreover the precedent established by the OneWest deal, the first resolution following the crisis, provided the FDIC with an effective model to resolve many other impaired financial institutions, saving U.S. taxpayers from many billions of dollars of losses.

It is important to note that Mr. Mnuchin has been the subject of unfair press reports related to his service at OneWest Bank. During the 6 years of his leadership, I was able to observe how devoted Mr. Mnuchin was to ensuring that OneWest had the necessary policies, procedures, resources and staff to work through the many problems inherited with the acquisition of IndyMac's failed operations. According to the FDIC Office of the Inspector General, OneWest properly solicited and processed mortgage loan modifications more than 98% of the time, an outstanding record relative to its peers. Moreover, the review of crisis-era foreclosures by OneWest revealed no errors in many of the subject areas and error rates below one percent in most other review categories. I attribute this high level of accomplishment in an extremely challenging environment to unrelenting standards of excellence set by Mr. Mnuchin for the management team at OneWest.

Mr. Mnuchin is an outstanding candidate for Secretary of the Treasury, and I hope that members of the committee will proceed with his confirmation on an expedited basis.

Please do hesitate to contact me if I can be of any assistance as you complete your consideration of Mr. Mnuchin's nomination.

Sincerely,

Charles A. Davis,  
CEO, Stone Point Capital LLC

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DUKE BUCHAN III

January 11, 2017

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

I hope this letter finds both of you and the members of the Committee on Finance well.

Today, I write to the Committee with unwavering support of the nominee to serve as our next Secretary of the Treasury, Mr. Steven Mnuchin. Over a thirty-year business career with global and domestic financial institutions, Steven has consistently proven his innate ability to lead irrespective of the economic environment. Steven's steady hand throughout the entire IndyMac and OneWest episode resulted in tens of thousands of families finding solutions to their homeownership issues.

I had the pleasure of serving with Steven on President-elect Trump's Finance Team over the course of the campaign. Steven is intelligent, a problem solver, a solution-oriented leader, and an excellent communicator. I have spent many hours conversing with him about how to better serve our country. His ideas are insightful and practical. Steven will be a patriotic and dedicated public servant.

We need a Secretary of the Treasury who is focused and committed to elevating the United States to a higher level, both at home and on a global scale. Because of his background, Steven possesses the significant experience that is necessary to aid in the implementation of President-elect Trump's tax reform plans, as well as in modifying regulations that place unnecessary burdens on our country's businesses and workforce.

I fully endorse Steven for this critical position, and I believe that he will leave our country in a better place than he found it.

Feel free to reach out to me with any follow up questions that you may have.

Sincerely,

Duke Buchan III

---

FAITH SCHWARTZ

January 13, 2017

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

**Re: Nomination of Steven Mnuchin for Secretary of the Treasury**

Dear Chairman Hatch and Ranking Member Wyden:

I write in connection with the nomination of Steven Mnuchin to be Secretary of the Treasury. I do not know Mr. Mnuchin, but as the former executive director of the HOPE NOW Alliance, I am intimately familiar with the loan modification and home retention programs of OneWest Bank, which have played such a prominent role in the media coverage of Mr. Mnuchin's nomination. I therefore wanted to make sure that the Committee has accurate facts as it considers this important nomination.

HOPE NOW is a voluntary alliance between counselors, mortgage companies, investors, regulators, and other mortgage market participants created in 2007 with the strong encouragement of the Department of the Treasury and the Department of Housing and Urban Development. HOPE NOW brought together diverse stakeholders to collaborate to address challenges in mortgage servicing and to assist at-risk homeowners. Since 2007, HOPE NOW has played an important role in facilitating more than six million loan modifications and other foreclosure avoidance solutions for homeowners. I was proud to lead the organization from its inception during the financial crisis through early 2013.

Although the government encouraged the creation of HOPE NOW, membership is purely voluntary and not all banks and mortgage companies joined the alliance. Under Mr. Mnuchin's leadership, however, OneWest Bank joined early and took an active and leading role in rolling out homeowner assistance programs to its borrowers. In fact, OneWest was an early adopter of numerous voluntary loan modification programs, reflecting both the company's cultural commitment to home retention and Mr. Mnuchin's personal commitment to the FDIC to vigorously pursue foreclosure avoidance options wherever possible. For example, OneWest was one of the first banks to adopt the Principal Reduction Alternative, an optional part of the federal HAMP program under which participating servicers reduced borrower principal (non-participating institutions only reduced borrower interest rates, which was found to be a less sustainable model for borrowers who loan balances exceeded their



property value). OneWest also was an early adopter of the 2MP program, which allowed servicers to modify qualifying second mortgages. OneWest was not required to offer any of these benefits to borrowers, and not all servicers adopted these programs. But OneWest's loan retention staff, as well as leadership, were committed to avoiding foreclosures where possible and were tremendous industry partners. To me, OneWest's consistent adoption of new home retention innovations spoke volumes about the company's commitment in this important area.

Home retention options for the industry were varied and lacked a strong, consistent structure until HOPE NOW members and investors began coordination on a national loan modification structure. These industry efforts were enhanced when the Government HAMP modification program was introduced to servicers and loan investors in 2009. As a reminder, a loan modification means there is a reduction in rate, or change in term, or reduction in principal balance of a loan. Introducing these at scale was challenging to the mortgage industry and the investor community. Yet both the volume and the quality of home retention options OneWest provided to its customers were highly regarded, both by me and my HOPE NOW colleagues and by the federal government offices overseeing servicer performance. Treasury Department reports on loan modifications show that OneWest offered more than 101,000 loan modifications to struggling homeowners. And when OneWest offered loan modifications, its offers included principal forgiveness as much as five times more often industry averages. Its loan modifications also stood out for sustainability: The rate at which its trial modifications were converted to permanent modifications was 91 percent, the highest rate in the industry.

I should note that OneWest's work to help borrowers through the financial crisis was not limited to modifications but also focused on refinance solutions. OneWest was a major supporter of the Obama Administration's HARP refinancing program, which encouraged banks to refinance high-rate mortgages on properties with little or no equity into more sustainable, lower rate loans. It is my view that this is one of the most important refinance programs that has been offered in the country, preventing subsequent foreclosures and modifications. The GSEs, the Federal Housing Finance Agency, and lender partners saved homeowners from default by supporting this innovative refinance program. In 2013, the last year before OneWest sold its mortgage business, the company originated more than \$400 million in HARP refinance loans, including more than \$70 million to minority borrowers. This last point is particularly relevant, since some media reports have suggested that the company failed to lend in minority communities based on data for the time period after OneWest exited the mortgage business.

I was very proud to lead HOPE NOW through this very dark economic time. The industry and homeowners struggled with record level defaults and the systems and processes were initially not adequate to accommodate the widespread national problems in the housing market. In order to make progress, the approaches to minimizing foreclosure needed reengineering, partnering, and strong communications, to make sure all options were reviewed to help troubled homeowners avoid foreclosures, and OneWest was an important partner and supporter in this effort.

Despite all efforts to mitigate foreclosures, OneWest, like all servicers, did foreclose on some borrowers. It is important to review the full picture of activity to understand the scope of the situation and the progress and failures through this time period. OneWest had far fewer foreclosures than solutions it offered to homeowners. The regrettable fact of the financial crisis is that, for a variety of reasons, some borrowers lacked the financial ability to make payments on their loan obligations on any reasonable terms. For these borrowers, the question is whether OneWest exhausted all home retention options before foreclosing, and it made material errors in the foreclosure process. The best evidence on this question comes from the government's report of the results of the Independent Foreclosure Review, which required the 14 largest mortgage banks to review all their post-crisis foreclosure for compliance errors. This report showed that OneWest made mistakes in the loan modification process less than one-half of one percent of the time. Per the report, it foreclosed on borrowers who were not liable for foreclosure only .001 percent of the time, and in that minuscule number of cases, it paid full restitution to the affected borrowers. Most every institution I worked with through the crisis put their heart and soul into helping homeowners. That often gets lost in the discussions. While even one avoidable foreclosure is too many, my experience working with financial institutions is that OneWest's compliance rate put it at or near the very top performance of servicers.

Let me reiterate that I do not know Steven Mnuchin personally but I dealt with his management team from the top ranks through the day-to-day staff that worked directly with at-risk borrowers. They were very active with HOPE NOW and supportive of the many efforts underway to help borrowers in default. I have no political agenda in promoting his confirmation. But as the former head of the national organization dedicated to finding home retention solutions for struggling homeowners affected by the financial crisis, I believe the record should be clear about the actual record of OneWest in delivering solutions to many thousands of its customers during my tenure at HOPE NOW.

Very truly yours,  
 Faith Schwartz  
 Former Executive Director  
 HOPE NOW

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FLAGSTAR BANK

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 Phone: (248) 312-2000  
<https://www.flagstar.com/>

January 13, 2017

The Honorable Orrin Hatch  
 Chairman  
 Committee on Finance  
 U.S. Senate  
 Washington, DC 20510

The Honorable Ron Wyden  
 Ranking Member  
 Committee on Finance  
 U.S. Senate  
 Washington, DC 20510

**Re: Support for Steven Mnuchin to be Secretary of the U.S. Department of the Treasury**

Dear Chairman Hatch and Ranking Member Wyden:

I am pleased to offer my strong support for Steven Mnuchin as Secretary of the U.S. Department of the Treasury.

At this moment of significant transition for our country, American banks are ready to do more to extend credit, support communities, job creation, and economic prosperity nationwide. As a leader of a mid-size bank, OneWest, Steven has a distinct appreciation for how mid-size institutions are perhaps best suited to do so and have an enormous impact on a local level. He also has first-hand knowledge of how some federal regulations are having adverse consequences that are inhibiting our ability to successfully meet more of the credit needs of consumers and businesses consistent with longstanding safety and soundness principles.

I am absolutely confident that Steven will use his experience of leading a mid-size bank, his considerable skill set and deep policy knowledge to pursue regulatory relief and reform that will expand jobs, incomes, and opportunities for Americans through economic growth.

I welcome his leadership and look forward to working with him.

Best regards,  
 Alessandro DiNello  
 President and CEO  
 Flagstar Bank

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HANNAH F. BUCHAN

January 11, 2017

The Honorable Orrin Hatch  
 Chairman  
 Committee on Finance  
 U.S. Senate  
 Washington, DC 20510

The Honorable Ron Wyden  
 Ranking Member  
 Committee on Finance  
 U.S. Senate  
 Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

I write this committee to express my wish to see the swift confirmation of President-elect Trump's nominee for Secretary of the Treasury, Mr. Steven Mnuchin. Steven's qualifications for the lead Treasury position are extensive—he is distinctly prepared for the job at hand. For example, he was a partner at Goldman Sachs and member of the firm's management committee. He understands intimately global financial markets and at Goldman led a team of over 5,000 people with a \$1-billion technology budget. More recently, Steven demonstrated at OneWest that he was committed to finding solutions for the company's homeowner customers whenever possible.

Personally, I got to know Steven while working together on President-elect Trump's Finance Committee. In every interaction, not only did he conduct himself as a consummate gentleman and professional, but furthermore, his passion and desire to serve the American people was crystal clear. I am happy, but more importantly proud, to call Steven Mnuchin a friend.

I believe it would certainly be in the best interest of the people of the United States of America to confirm Steven as our next Secretary of the Treasury.

Please let me know if I can be of any further assistance.

Sincerely,

Hannah F. Buchan

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CONTINENTAL RESOURCES  
 405-234-9000  
[www.clr.com](http://www.clr.com)

January 10, 2017

The Honorable Orrin Hatch  
 Chairman  
 Committee on Finance  
 U.S. Senate  
 Washington, DC 20510

The Honorable Ron Wyden  
 Ranking Member  
 Committee on Finance  
 U.S. Senate  
 Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

I am writing today in strong support of President-elect Trump's nomination of Mr. Steven Mnuchin to serve as the next Secretary of the Treasury.

Mr. Mnuchin will bring a wealth of real world knowledge and experience to the position. He has spent the last 30 years working in banking, technology operations, housing finance, and financial markets, developing a deep understanding of economic policies that make him uniquely qualified to serve as Treasury Secretary.

He has proven to be a solutions-oriented leader with strong team-building and communications skills. These qualities will be needed for the Treasury Department to work with Congress and the Trump administration to craft a tax reform package that will spur economic growth, create jobs for hard-working Americans and allow U.S. businesses to compete in the global marketplace.

I believe Mr. Mnuchin is well-equipped to serve this country as Secretary of the Treasury, with an unrivaled commitment to protecting and supporting American workers.

I hope that members of this committee proceed with Mr. Mnuchin's confirmation process on an expedited basis.

If I can be of further assistance in any way, please don't hesitate to contact me.

Sincerely,  
Harold Hamm

---

ESL INVESTMENTS, INC.  
1170 Kane Concourse, Suite 200  
Bay Harbor Islands, FL 33154

January 12, 2017

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

I am writing today in strong support of President-elect Trump's nomination of Steven Mnuchin to serve as the next Secretary of the Treasury. If confirmed, Mr. Mnuchin would bring a wealth of knowledge and experience to the office. He has spent the last 30 years working in global capital markets, technology, operations, housing finance, and regional banking. This provides him with a deep understanding of the financial markets that are critically important for any Treasury Secretary.

I have known Steven for 35 years, personally and professionally, and he is a person of great integrity with strong values and ethics. The diversity of his work experience and the diversity of those he has worked with makes him perfectly qualified for this important position.

Steven cares deeply about getting America back to work, creating opportunity for more Americans and ensuring the U.S. remains the preeminent place to raise capital and start and grow a business. With the prospects of tax reform on the agenda, we, in this country, have an opportunity to unleash America's creativity and ingenuity while incentivizing entrepreneurs.

I hope that members of the Committee proceed with his confirmation process on an expedited basis.

If I can be of further assistance, please let me know how I can help.

Sincerely,  
Edward S. Lampert  
Chairman and Chief Executive Officer

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January 9, 2017

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

I am writing this letter in support of the nomination of Steven Mnuchin for Secretary of the Treasury. I have known Mr. Mnuchin for well over a decade and find him exceptionally qualified to carry out the duties of the office, but first a word about my own background.

I am the CEO of a privately owned, family-held real estate development, construction, and management business. My family's company has been in business for over 100 years and has extensive holdings of multifamily, commercial, retail, and hotel assets and operates in New York, New Jersey, Delaware, Florida, California, and

Washington. In addition, the company has an Oil and Gas division located in Houston, Texas and Investment arm that invests in public securities and venture capital. I served on the Board of Directors of Bank United after it was recapitalized as a result of the financial crisis. Furthermore, I served a term as a member of the New York State Banking Board. My business activities require me to deal extensively with financial institutions and capital markets. Our firm has a flawless record as a borrower, job creator, and corporate citizen. Some of the members of the committee are familiar with our company and its projects.

I have known Mr. Mnuchin in his professional capacity as an executive at Goldman Sachs, his career at Dune Capital, and his leadership of OneWest Bank—one of two significant recapitalizations during the financial crisis (the other being Bank United). Given Mr. Mnuchin's varied and successful experience in finance, real estate, and private equity, I find Mr. Mnuchin completely prepared and qualified to be Secretary of the Treasury. Wall Street and Main Street banking experience have made him both experienced in the capital markets, lending, and the regulatory environment. This complementary set of experiences will enable him to perform the duties of the office with excellence.

On a personal basis, I know Mr. Mnuchin and his family quite well. He is the devoted father of two daughters and a son and is an individual of extremely high integrity. I have such a high degree of personal trust and confidence in Mr. Mnuchin that he has served on the Board of Directors of my family's trust company. Mr. Mnuchin is also charitable and an advocate of health care and the arts. He is an individual of extremely high character and intellect, and is choosing public service over other financially lucrative opportunities.

Thank you for your consideration of Mr. Mnuchin's candidacy. Please do not hesitate to call upon me if I can be of further assistance.

Sincerely,

Richard S. LeFrak

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January 11, 2017

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

I am writing this letter in strong support of Mr. Steven Mnuchin, President-elect Trump's nominee for Secretary of the Treasury.

Steven has had an outstanding 30-year career in finance and technology. He has a unique combination of knowledge and insight into markets and economies. At Goldman Sachs, I was a partner with his father for almost 25 years. Many years later, Steven, too, had a most successful career there, ultimately running the I.T. Department of over 5,000 people. He demonstrated a great ability to forge and lead a team that finds solutions to uniquely difficult problems. In the recent months, I have had the opportunity to renew my friendship with Steven as we worked together on the Trump campaign. That time clearly reaffirmed the fact that he is an outstanding individual who will serve with the utmost dignity, respect and success.

It is my hope that your Committee will proceed swiftly and positively with the nomination of Mr. Steven Mnuchin.

Please feel free to contact me if I can be of any further help.

Sincerely,

Lewis M. Eisenberg  
Managing Partner

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January 9, 2017

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

I am writing today in strong support of President-elect Trump's nomination of Steven Mnuchin to serve as the next Secretary of the Treasury.

I have worked with Steven on two occasions, both at a civic institution in the City of Los Angeles, and through his efforts leading the Finance Committee of the Trump campaign. In both instances, I found him to be whip-smart and deeply focused, someone capable of taking on a wide array of responsibilities and executing flawlessly every time. Because I have seen him in action, and because I know the range of his skill set, the depth of experience, and unimpeachable nature of his integrity, I can't think of a better person to lead the Treasury Department. He is someone the American people can trust to do the right thing on their behalf.

I hope that members of the committee proceed with his confirmation process on an expedited basis.

If I can be of further assistance in any way, please do not hesitate to contact me.

Sincerely,

Jamie McCourt  
Founder and CEO, Jamie Enterprises  
Former Co-Owner, President and CEO, Los Angeles Dodgers

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January 9, 2017

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

**Re: Support for Steven Mnuchin to be Secretary of the United States Department of the Treasury**

Dear Chairman Hatch and Ranking Member Wyden:

The California Bankers Association supports the confirmation of Steven Mnuchin as the Secretary of the United States Department of the Treasury. Mr. Mnuchin possesses the experience and credentials that make him a well-qualified candidate. His knowledge and professional competencies make him a valuable resource to the people of United States.

Steven Mnuchin has substantive experience in finance and banking, including a deep understanding of the financial markets that will serve him well as the Treasury Secretary. With this extensive experience, he will use his skills on behalf of the American people to pursue the president's regulatory relief agenda. Lawmakers

have reacted strongly since the economic recession, enacting numerous layers of laws and regulations resulting in significant bank consolidation. Consequently, the regulatory environment is hampering banks' ability to help their customers achieve financial success, support their communities, and the economy.

Mr. Mnuchin is committed to enacting policies that encourage economic growth. His reputation for bringing people together to solve complex projects will prove invaluable in working with Congress and the Administration to advance reforms that spur economic growth, create jobs, help hardworking Americans, and allow businesses to compete globally.

We appreciate this opportunity to encourage your confirmation of Steve Mnuchin as Treasury Secretary. We believe he will serve the people of this nation and the Treasury with wisdom and integrity. Please contact us if you have any questions regarding our support.

Sincerely,

Rodney K. Brown  
President and CEO

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MOVEMENT MORTGAGE

January 3, 2017

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

I offer today my full support of Mr. Steven Mnuchin as the next Secretary of the United States Treasury.

As the founder and chief executive of Movement Mortgage, I launched our company in 2008, amid the worst financial crisis in a generation, to bring innovation, service, and integrity back to a broken business. As a result, we have disrupted the entire industry with new processes to serve American homebuyers and are now one of the 10 largest purchase mortgage lenders in the United States with more than \$12 billion in annual originations.

Our country needs more business leaders equipped to make decisions that will lead to economic prosperity and innovation. This is exactly why Mr. Mnuchin is an excellent choice to be the next Treasury Secretary. His willingness and foresight to lead the turnaround of bankrupt IndyMac Bancorp, repositioning it as OneWest Bank, should be remembered as one of the most successful turnarounds of this era. Mr. Mnuchin inherited one of the most troubled mortgage portfolios in America, with more than 178,000 loans in active foreclosure. Mr. Mnuchin and his team worked tirelessly to find solutions for these families, extending more than 101,000 loan modification offers many of which included offers to forgive principal. Along the way, government auditors found OneWest to have the lowest error rate and the highest effectiveness rate in the entire federal loan modification program.

Mr. Mnuchin is an ideal candidate to lead the U.S. Treasury because I believe he will tailor policies designed to help improve the flow of credit to local businesses, the backbone of American commerce, and in turn create jobs and investment that will drive economic growth across the country. I urge you to confirm Mr. Mnuchin as our next Secretary of the Treasury and empower him to lead us to sustained growth and financial stability.

Sincerely,

Casey Crawford  
Founder and Chief Executive Officer

Movement Mortgage  
Fort Mill, SC

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OLD NATIONAL BANK  
One Main Street  
Evansville, IN 47708

January 10, 2017

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

**Re: Support for Steven Mnuchin to be Secretary of the U.S. Department of the Treasury**

Dear Chairman Hatch and Ranking Member Wyden:

I am writing to issue my strong support for the confirmation of Steven Mnuchin as Secretary of the U.S. Department of the Treasury. As Chairman and CEO of Old National Bank and Chairman of the Mid-Size Bank Coalition of America, I am confident that Mr. Mnuchin's deep, well-rounded experience—which includes the successful leadership of the mid-size bank OneWest—make him uniquely qualified to serve as Treasury Secretary.

As members of your esteemed Committee are aware, mid-size banks are essential to the success of our nation's economy. At Old National Bank, we not only provide the capital to fuel small business growth within our communities, we often serve as a catalyst for economic expansion and community development by helping to forge partnerships and strengthen relationships among business leaders, community leaders and political leaders. We also strive to educate and empower at-risk members of our communities through partnerships with non-profits, financial education initiatives and homeownership assistance. This is true not only for Old National, but for mid-size banks throughout our great nation.

I believe Mr. Mnuchin understands the importance of empowering community banks like Old National to continue to serve the financial needs of our clients and communities. Furthermore, I believe his strong knowledge of financial markets and extensive experience in our industry will enable the Treasury Department to take a balanced, mindful approach to regulation that protects our citizens while allowing community banks to drive much-needed growth and expansion.

I am honored for this opportunity to encourage the confirmation of Mr. Mnuchin. I believe he has the ideal background and credentials for this vitally important position, and I welcome the opportunity to discuss this topic further with members of your prestigious Committee.

Sincerely,  
Bob Jones

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January 11, 2017

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden,

I am writing in great support of Steve Mnuchin to serve as our nation's next Secretary of the Treasury, as nominated by President-elect Trump. Mr. Mnuchin is



highly qualified for this position and will be instrumental in helping President-elect Trump achieve his goals of economic growth. He has my firm support.

Please feel free to contact me if I can be of any further assistance.

Sincerely,

Phillip G. Ruffin  
Owner

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New York, NY 10154  
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F + 1 212-583-5719  
schwarzman@blackstone.com

January 17, 2017

Dear Members of the Committee:

I strongly recommend that the Committee, after its customary hearings, promptly confirm my good friend Steven Mnuchin for United States Treasury Secretary. As the Committee considers Steven's nomination, I thought I might be able to contribute to the Committee's deliberations as someone who has observed his work and character.

Throughout his career, whether at Goldman Sachs or negotiating with the FDIC during the financial crisis, Steven has shown drive and persistence, combined with skill and integrity to solve complex problems.

I have known Steven for 20 years and believe him to carry our national interest close to his heart. His work as an investor, innovator, and philanthropist has given him the insight and empathy to serve our Country and the Administration with distinction. Steven has been an effective mentor to dozens of young executives over many years. He has nurtured their talent and guided them to help them realize their dreams. Steven is widely respected for his good judgment, good humor, and integrity. Having spoken with him at length about the state of our economy, he is deeply knowledgeable about the intricacies of financial markets and policy.

Finally, I had the pleasure of hosting Steven at a gathering in New York City the night before this year's election. He was passionate about changing the economic fortunes of all Americans by electing Donald Trump President of the United States. I have full faith in his abilities to competently and dutifully serve the United States as our Treasury Secretary.

Thank you again for your time and consideration.

Stephen A. Schwarzman  
Chairman, CEO, and Co-Founder

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January 13, 2017

The Honorable Orrin Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

I am writing today to support President-elect Trump's nomination of Steven Mnuchin to serve as the next Secretary of the Treasury.

The next Secretary will lead the greatest reform of our tax code and our public finances in more than 30 years. This reform is desperately needed, and its success will depend on confirming the right person for the job. I strongly believe that the right person is Steven Mnuchin.

Mr. Mnuchin thoroughly understands finance. He gained his knowledge from long experience working at every level from home mortgages to global markets. He has a vast store of energy, as he has shown over his successful 30-year career. Now his knowledge, experience, and energy should be put to work for the benefit of the whole country.

Because economic policy reform is urgent and Mr. Mnuchin is uniquely qualified to get it done, I urge members of the Committee to proceed with his confirmation process on an expedited basis.

Sincerely,  
Peter Thiel

---

THOMAS P. VARTANIAN

January 12, 2017

The Honorable Orrin G. Hatch  
Chairman  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

The Honorable Ron Wyden  
Ranking Member  
Committee on Finance  
U.S. Senate  
Washington, DC 20510

Dear Chairman Hatch and Ranking Member Wyden:

I am writing in my personal capacity to set the record straight regarding the acquisition of IndyMac Bank in 2009, and to offer an objective assessment of Steven Mnuchin's formidable intellect, unflappable demeanor, and significant financial skills as I saw them on display in that transaction.

I have spent more than 40 years dealing with the resolution of failed banks. As a former attorney at the Office of the Comptroller of the Currency and then General Counsel of the Federal Home Loan Bank Board and FSLIC, I authorized, supervised, and worked on the receivership and/or sale of more than 430 failed institutions, all with an eye on the need to husband the modest financial resources available to us. After that, in private practice, I represented investors in dozens of FSLIC, RTC, and FDIC failed-bank acquisitions, including the acquisition of IndyMac. I have also been an adjunct professor of law at Georgetown, George Washington, and Boston University Schools of Law, and guest lecturer at Harvard Law School.

Several core principles about bank failures need to be appreciated in order to put the IndyMac transaction in context.

- It is the FDIC's responsibility to either find an acquirer to infuse new capital into a failed bank, or liquidate it—a very costly solution for the FDIC that will result in significant financial dislocations for customers and employees.
- When a bank fails, it is usually in worse condition than anyone—even the FDIC—imagined, and its assets are likely to be worth less than its financial statements reflect.
- The FDIC has a finite deposit insurance fund, so it must find private capital to recapitalize failed banks—every dollar that an investor puts at risk to purchase a failed bank saves the FDIC, and potentially the U.S. taxpayer, multiples of those dollars.
- If no acquirer is willing to recapitalize a failed bank, the FDIC will likely liquidate it by paying out insured depositors, selling its increasingly depreciating assets at fire sale prices, and terminating its employees.
- Federal law requires the FDIC to conduct an auction process for a failed bank and choose the “least cost” bid with regard to the financial assistance that it provides to the acquirer from its insurance fund.
- When an investor offers to acquire essentially the “whole bank” from the FDIC rather than just pieces of it, the failed bank can remain open the next day under

new ownership; no depositor loses anything and the employees generally keep their jobs.

In 2007, I and my law firm were engaged to represent an investor that eventually came to be included in the final group that was invited by the FDIC to acquire IndyMac after a protracted bidding process in which the FDIC evaluated proposals from more than 20 bidders. See [https://www.fdic.gov/bank/individual/failed/IndyMac\\_bid\\_summary.html](https://www.fdic.gov/bank/individual/failed/IndyMac_bid_summary.html). At that time, IndyMac Bank was the largest bank failure that had ever occurred in the United States, so the loss that the FDIC and potentially U.S. taxpayers could have incurred was anticipated to be substantial. The fact that IndyMac Bank had been in conservatorship with the FDIC for 8 months after it was seized by the OTS was unusual and raised substantial operational, legal, and financial issues for the group. It was my job to advise my client on the transaction that Mr. Mnuchin structured to ensure that it was in conformity with applicable law and in its best interests. My firm and I did not represent Mr. Mnuchin or his company.

The investor group, of which Mr. Mnuchin's firm was also part, took the enormous risk of paying \$13.9 billion for IndyMac, of which \$1.3 billion was investor cash which recapitalized IndyMac—\$1.3 billion that the FDIC did not have to spend to resolve that bank failure. The only guarantees it received were a set of very complicated and conditional financial assistance agreements from the FDIC to the extent that the value of the assets over time did not turn out to be what the parties expected. Such a financial assistance package is typical in most failed bank acquisitions over the last 40 years.

The economic well-being of bank customers, the FDIC deposit insurance fund, bank employees, and the U.S. economy is dependent on parties being willing and able to invest large amounts of capital into failed banks based on a financial partnership between the private sector and the FDIC. Failed bank acquirers do not expect congratulations or a medal for patriotism in return for taking those financial risks, but they do hope to make a return on their investment through the excruciatingly hard work that follows such an acquisition to turn a failed bank into a viable and productive member of its community. That is the formula that makes our financial system work and allows consumers to sleep at night.

In the IndyMac transaction, to my knowledge, Mr. Mnuchin and the investors adhered to all aspects of the FDIC's requirements, persevered through months and months of anguish and negotiations, and did what even the FDIC had not expected. They invested \$1.3 billion of their own cash to acquire the entire bank at the least cost to the government, earning the right to keep it open for business for the benefit of its customers, employees, and new shareholders.

The clear proof of how beneficial the acquisition proposal was to the FDIC was demonstrated by the fact that it had not actually expected to sell IndyMac as a whole bank. In January 2009, the FDIC informed us that as the winning bidder, we should expect to receive drafts of more than 30 acquisition contracts. The reason why there were so many contracts to be negotiated was that the FDIC's lawyers had already prepared the paperwork to sell IndyMac in multiple asset pools to multiple parties, rather than as a whole bank. Indeed, the FDIC disclosed that of the six final bidders in the process, only the Mnuchin group's bid was for the whole bank. See [https://www.fdic.gov/bank/individual/failed/IndyMac\\_bid\\_summary.html](https://www.fdic.gov/bank/individual/failed/IndyMac_bid_summary.html). If the disposition of IndyMac had proceeded in any other fashion, it would have been much more costly to the FDIC and likely led to job losses and branch closures.

While I did not represent Mr. Mnuchin, I came to admire his abilities and saw a businessman who, as far as I was concerned, was something special. I have not had dealings with nor even spoken to him since that time, but was not surprised at all when President-elect Trump nominated him to be Secretary of the Treasury given the enormous skills that I saw him display during the 9 months that I had the privilege of working with him to complete the acquisition of IndyMac Bank.

Sincerely,  
Thomas P. Vartanian

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WALTER J. MIX III

January 12, 2017  
The Honorable Mike Crapo

Chairman  
 Committee on Banking, Housing, and Urban Affairs  
 U.S. Senate  
 239 Dirksen Senate Office Building  
 Washington, DC 20510

Dear Chairman Crapo,

I am a former Commissioner of the California Department of Financial Institutions (now Department of Business Oversight). I have extensive experience in financial services regulatory and safety and soundness issues.

I am writing to endorse and to support Mr. Steven Mnuchin's effort to be confirmed as Secretary of the U.S. Treasury. Mr. Mnuchin has broad experience in housing, finance, trading, banking, and in particular he possesses a broad understanding of the financial markets that would serve him well as the U.S. Treasury Secretary.

When he retired from Goldman Sachs in 2002, he was managing a team of 5,000 people and a \$1-billion technology budget. He knows how to deploy technology and people to improve business outcomes.

He has a reputation of bringing people together to tackle complex projects. This would serve him well as he works with Congress and the Administration to develop a tax reform package that would spur economic growth, create jobs, help hard-working Americans, and allow businesses to compete on a global basis.

With deep experience in the finance and entertainment industries, he would use his strong negotiation skills on behalf of the American people to pursue the President's pro-growth tax reform and regulatory relief agenda that would help create hundreds of thousands of jobs.

As you recall, the California economy was devastated by the financial crisis starting in 2007 as mortgage defaults started to occur and property values, especially in overbuilt areas, started to decrease. The crisis accelerated when IndyMac Bank failed. I am a long-time resident of Pasadena, CA and observed the public outcry when it appeared that thousands would lose their jobs, and when people lined up at branches to withdraw their money in a bank-run scene straight out of "It's a Wonderful Life."

As a former financial regulator, I was amazed to see that, unlike in a normal bank failure where the bank is closed on a Friday and reopens the following Monday under new ownership, no one showed up to take on the IndyMac business. It was almost unprecedented for the FDIC to have to operate the bank for nearly 9 months before a credible bidder showed up. That bidder was Mr. Mnuchin.

The OneWest acquisition of IndyMac Bank (and, later, First Fed and La Jolla) was great news for Southern California in many ways. First, it preserved jobs and credit availability in California that otherwise almost certainly would have disappeared. Second, it launched new lines of business that helped small and middle-market businesses in the area expand and create jobs. Third, through the OneWest Foundation, it contributed to the local community by sponsoring important non-profits like Junior Achievement, the Venice Family Clinic, Boys and Girls Club, the Los Angeles Police Foundation, and others.

While some have criticized OneWest over mortgage foreclosures, those foreclosures were already underway before Mr. Mnuchin and his partners arrived to save the bank. The real story is how hard Mr. Mnuchin's team worked to find the best foreclosure avoidance solutions for the largest number of customers. After a major financial crisis, it should not be surprising that some unfortunate individuals lost jobs, suffered other tragedies, and were not able to repay their mortgages on any terms; those foreclosures are human tragedies. But the real story here is how much better OneWest was at saving homes than most banks. Government reviews show that OneWest offered more than 100,000 loan modifications to delinquent borrowers, as well as that those loan modifications included more principal forgiveness than any similarly sized bank. Importantly, when foreclosure was the only option, OneWest made mistakes far less often than others in the industry.

The media has also criticized OneWest for not cooperating with a California state attorney general investigation of its mortgage practices. As the former California banking regulator, I believe it is important to remind people that, for most of American history, we have had a "dual banking" system consisting of state banks and federally chartered banks. State regulators have limited authority to directly regulate national banks, and what is clear is that, while OneWest was not subject to

oversight by a state attorney general in that context, the issues involved were thoroughly examined by federal regulators in the Obama administration. Those federal regulators were not known for being lax on bank misconduct, and so the results of their reviews are all the more striking: OneWest was highly compliant, was effective in saving homes by modifying tens of thousands of delinquent mortgages it inherited from IndyMac Bank, and was subject to extensive regulatory oversight in the process.

Mr. Mnuchin fought for his customers, and he's going to fight for American workers. He is committed to making sure we enact policies that set the U.S. economy on a course for long-term growth and help American workers and businesses.

Mr. Mnuchin's well-known commitment to accountability and his integrity will serve him well as Treasury Secretary. For all of these reasons, I endorse and support Mr. Steven Mnuchin for Secretary of the U.S. Treasury.

Sincerely,

Walter J. Mix III

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SUBMISSIONS FOR THE RECORD FROM HON. ROBERT MENENDEZ,  
A U.S. SENATOR FROM NEW JERSEY

**Statement of Cristina Clifford**

Good afternoon. My name is Cristina Clifford. I'm hoping that by sharing my story with you today I can explain why I believe confirming Steve Mnuchin for Treasury Secretary would be a serious mistake for our country. I experienced firsthand what it was like to be subject to OneWest's greed, and I can tell you that the person who ran OneWest Bank should not be the person responsible for oversight of the U.S. economy.

In 2001, when I was 20, I bought my first home—a great condo in Whittier, California, just outside Los Angeles. I was young, but I've always been a motivated self-starter. I'm also a self-employed, small business owner—my primary source of income.

Things were going just fine, and I was never, ever late on my mortgage payments. However, that changed in 2008—like it did for so many of us—when the economy took a turn for the worse. My business struggled, and I started relying on credit cards to stay afloat. In March of 2009, I was unable to make my mortgage payment for the first time in 8 years as a homeowner.

I called OneWest directly to see what options I would have for keeping my home. They told me flat out that because I had never been delinquent, they had no way of helping me. In order to get help, they said, I would have to fall behind on my payments. Of course this was misleading—and, I've since found out, a common tactic that mortgage lenders use to push people into default.

From there, I began the long, long process of loan modification through the Home Affordable Mortgage Program (or HAMP). I sent in numerous documents to OneWest, and in May, I was offered my first loan modification. I was thrilled—the new payments would fit perfectly in my budget, so I signed the loan modification papers and sent them via FedEx along with a check for my first payment under the new, modified payment amount.

In July, I expected OneWest to send me a statement with the new lower payment amount. Instead, I received a letter saying that they had not received my loan modification paperwork, so the modification terms were no longer valid. I called them and OneWest confirmed that they had not received my returned loan modification agreement. I knew right away this wasn't right, because they had cashed the check for the first modified payment in the same FedEx envelope. That they managed to cash the check but completely neglect the loan modification agreement—again, in the same envelope—is absolutely outrageous.

I had no choice but to apply again, this time submitting even more documents; I was told to submit and resubmit many duplicative documents in many different formats. Despite how difficult OneWest made the process, I did everything they asked because I was determined to keep my home.

On August 3, 2009, I received a notice of default from OneWest but proceeded with my second attempt at modifying my loan. I received my second loan modifica-

tion offer later that month. The terms were almost identical to the offer they made me in May, so I quickly signed the offer and mailed it in with another check. In October, I got a letter exactly like the one I received earlier saying that they had not received the loan modification paperwork and that the modification offer was no longer valid. Yet as they did the first time, they cashed the check I sent in with the signed offer.

At this point, I felt I had no choice but to get an attorney, who worked to get my foreclosure postponed while the loan modification process played out. He spoke with people at OneWest who told him that they would postpone the sale of my condo until the loan modification process was completed.

This simply wasn't true: on the evening of December 3, 2009, I received a knock on my door from a man that introduced himself as the new owner of my property. And in March of 2010, I received a final notice telling me that I had 5 days to leave my apartment—5 days to pack up the 10 years of my life I'd spent in my home.

The reason I am sharing my story is because there are so many other people out there like me who got left in the dust. Steve Mnuchin profited from people like me, even when we did everything we could to keep our homes. You might say that Steve Mnuchin did not personally authorize OneWest to cheat me out of my home, but his fortune rose as a direct result of managing a company that routinely engaged in irresponsible behavior.

The Treasury Secretary will be tasked with making sure that the economy is working in a way that benefits all of Americans, not just the top 1%. However, Steve Mnuchin is not that person; he is just the opposite. Please make a statement for people like me and oppose his confirmation as Treasury Secretary.

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**Statement of Paulina Gonzalez**  
**Senate Forum on OneWest Foreclosure Victims**  
**January 18, 2017**

My name is Paulina Gonzalez. I am the executive director of the California Reinvestment Coalition. Over the past 30 years, CRC has grown into the largest state reinvestment coalition in the country with a membership of 300 organizations that serve low-income communities and communities of color.

I want to begin by first thanking Senator Warren for convening this forum and the assembled Senators here today. It is critically important that our elected representatives and the American public hear directly from people who have lost their homes due to the egregious practices and abuses by OneWest Bank under Mr. Mnuchin's leadership, before deciding on his nomination to the high and important office of Treasury Secretary.

I also want to thank the courageous women who have traveled from afar to testify here today. Over the years, we've heard similar stories that are all too familiar. Despite making every attempt to do the right thing, these working families lost their homes due to aggressive and malicious foreclosure practices at the hands of Mr. Mnuchin and his bank. We are grateful that they have stepped forward to share their stories. It is not easy to speak publicly about the loss of your family's home.

Unfortunately, the people here today represent only a tiny fraction of the over 60,000 families impacted by OneWest foreclosures across the country. I'm going to share some data and information with you in the next few minutes, but know that the wreckage from OneWest is really not about numbers, data, and legal briefs. It's about the tens of thousands of Americans who have suffered devastating financial and personal losses as a result of OneWest's abusive foreclosure practices.

Whether it's the story of the Minnesota woman who sought a loan modification from OneWest and returned to her home in a blizzard only to find that her locks were changed. Or the 90 year old woman who was nearly kicked out of her home for mistakenly paying 27 cents less than OneWest said she owed. Or the 80 year old former Christian missionary who was notified at his home that Financial Freedom was foreclosing on him because the bank said it had no record of him living there. The issue is the same: instead of helping people stay in their homes, Mr. Mnuchin devised a foreclosure machine that used every trick in the book to profit from their suffering.

**Large Scale Foreclosures.** And foreclose he did. CRC and Urban Strategies Council analyzed data showing that OneWest foreclosed on over 36,000 families in

California and 24,000 families nationally. All of these foreclosures occurred after Mr. Mnuchin purchased IndyMac Bank. In addition, we suspect that OneWest's reverse mortgage subsidiary, Financial Freedom, has foreclosed on more seniors, widows, widowers, and heirs than any other company participating in the federal Home Equity Conversion Mortgage program. A Freedom of Information Act request that we filed with HUD revealed that Financial Freedom had foreclosed on over 16,000 seniors, widows, widowers, and their families, or 39% of all Home Equity Conversion Mortgage foreclosures, roughly twice the rate one would expect given the bank's market share.

**OneWest servicing and modification record.** Mr. Mnuchin may defend his record by saying that he inherited these bad loans, that the foreclosures were inevitable, and that his bank followed the law in dealing with his customers. *We strongly disagree*, and it appears that we are not alone. In a CNN story that aired on January 3rd about Mr. Mnuchin and Financial Freedom, a HUD spokesperson was quoted as saying, "while HUD doesn't dispute that it has strict rules for government backed reverse mortgages, OneWest had the ability to give survivors more time but chose not to."

Mr. Mnuchin's spokespeople have also praised his modification record. But, we are not sure there is much to praise. Data from the Treasury Department in 2013 shows that OneWest had among the highest denial rates for the Home Affordable Modification Program, the Federal Government's main foreclosure prevention effort. Under Mr. Mnuchin, OneWest denied three-quarters of the thousands of loan modification requests that came in from families trying to save their homes. OneWest was much more likely to deny loan modifications under this program than peers such as Bank of America or Wells Fargo.

**Attorney General Memo shows "widespread misconduct."** A January 2013 memo from the California Attorney General's office revealed a staff investigation finding of "widespread misconduct" at the bank, including backdating thousands of foreclosure documents, improper foreclosure auction credit bidding which meant the bank could claim tax exemptions it wasn't entitled to, proceeding with foreclosures without the proper authority to do so, and speeding up foreclosure timelines. All of these practices deprived working families in California a fair chance to stay in their homes.

**Redlining Complaint highlights disparities in home lending and branching.** Some may note that other banks had more foreclosures in California and nationally, and this is certainly true. This makes sense given that IndyMac was not the largest national lender. But we have labeled OneWest a "foreclosure machine" not only because it foreclosed on more than 60,000 American families and because of its aggressive foreclosure practices, but because it seemed to do little else. In fact, we estimate that since Mr. Mnuchin took over the bank, OneWest pushed through nine times as many foreclosures as home purchases and refinance loans in neighborhoods of color in California.

The Treasury Secretary leads our economy. The Secretary helps oversee our banking system and will have much to say about important policies relating to banking, housing, and economic development that will impact all Americans. The country needs a Treasury Secretary who will consider the needs of all Americans, including working class Americans. Mr. Mnuchin's tenure at OneWest Bank shows him to work in his interest and in the corporate interest, at the great expense and harm to everyday Americans.

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#### Statement of Colleen Ison-Hodroff

Dear Assembled Senators:

My name is Colleen Ison-Hodroff. I am 84 years old. I am a resident of Minneapolis, MN. My husband Monroe Hodroff and I purchased our home located at 2753 Ewing Avenue in 1963 as a home for our family of six children. They called us the Brady Bunch of Ewing Avenue. Our house was the heart and soul of our family. Monroe and I were married for 55 years, and we successfully ran four small grocery stores.

I would like to thank you all very much for allowing me to share my story.

I am here today because Financial Freedom, my reverse mortgage servicer, is trying to foreclose on my home. This is despite the fact that when my husband Monroe

and I took out this loan, they told us that I could remain in the home if Monroe should die before me.

In July of 2006, my husband and I decided to take out a reverse mortgage loan with Financial Freedom. It was a very complicated process. Someone came to our house and I was asked to sign a number of papers. Usually, Monroe handled the financial matters for our household. We were told that I could live in the house if Monroe passed away. It was never Monroe's or my intention that the survivor of the two of us would have to sell the house or leave if one of us died. We would not have signed for the loan if we thought that was the case.

My husband Monroe passed on September 12, 2014. A mere 10 days later, despite what we had been told, Financial Freedom contacted me and told me that I needed to pay off the loan immediately. This was news to me. I was in no financial position to do so. Since then, Financial Freedom has been trying to foreclose on me.

I think this is an injustice in that an elderly woman was deceived, and now Financial Freedom is trying to take my home.

Why would Financial Freedom do this to me? I relied on what I was told, and now they are trying to kick me out of our family home. How was I supposed to know if what I was told wasn't true? What I am supposed to do now?

My understanding is that in such circumstances, Financial Freedom blames HUD for kicking out Non-Borrowing Spouses. Experts who have reviewed my paperwork have told me that this isn't even a HUD-backed loan, so Financial Freedom has no one to blame but themselves. It seems Financial Freedom should be working to keep people like me in their homes, and not fighting to kick us out.

I hear that Steve Mnuchin was a leader of the bank that is doing this to me and other seniors. I do not think a man like that should be the Treasury Secretary and in charge of our economy. We can't let that happen.

Thank you again for allowing me to tell my story on behalf of those who have had bad dealings with Financial Freedom and OneWest.

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#### **Statement of Heather McCreary**

My name is Heather McCreary. My husband Jack, my two kids Jaden and Clara, and I are from Sparks, Nevada. This is my story about how my family's American Dream turned into a nightmare. I'm sharing my story with the hope of explaining why we cannot let Steve Mnuchin become Secretary of the Treasury. Putting Steve Mnuchin in charge of the Treasury Department would mean that a man who profited off the struggles of families like mine would be one of the most powerful people in the U.S. economy.

For a while, it was looking like our shot at the American Dream was going pretty well. In 2006, Jack and I bought our dream home in Sparks—just a mile away from my parents, and a short walk to Jaden and Clara's school and to parks the kids could play in. I was working as a home health care worker and Jack was working in construction, and together we were managing just fine.

Then, in 2008, when the economy started to get worse, I was laid off. The following year in 2009, Jack was laid off too. Though Jack was able to find another job pretty fast, he had to take a big pay cut—from about \$25 an hour to \$8.50 an hour. Between the cut in Jack's pay and the loss in income I experienced when going on unemployment insurance benefits after I got laid off, we were pinched and we were drowning financially.

However, we were determined to keep our dream home, so Jack and I were tenacious about doing whatever we could to get help. We sought help from the Hope Now Alliance, which is an alliance of HUD-approved counselors who provide free foreclosure help, and from the Washoe County Senior Law Project.

We worked side-by-side with both organizations to do everything required of us by our mortgage servicer IndyMac, which later became OneWest. When we first asked for help, OneWest gave us a short forbearance and allowed us to make a smaller payment for several months with the goal of a reduction in our monthly mortgage payments through the Home Affordable Modification Program (or HAMP). By applying for the HAMP program, we thought we were back on the road to keeping our home.



We complied 100 percent with OneWest's requirements for HAMP—we were incredibly nervous about being able to keep our house, so we were extremely careful to make sure we did everything we could to keep the process going forward. Our application for HAMP was processed and we were approved for a modification. I sent in the signed paperwork and the first payment under the modified payment amount.

But then the process started to fall apart. After a whole 30 days, OneWest returned our personal check and told us that only certified checks would be accepted, so they were now voiding the modification offer. We had followed the instructions to the letter on OneWest's paperwork, crossing our "T"s and dotting our "I"s. But in the end, this didn't matter—and OneWest's rejection of our HAMP application put us on the road to foreclosure.

We applied two more times for loan modifications over the next 6 months because we were given assurances by people at OneWest that they would approve our application. We again complied with every request OneWest made of us, taking care to send in extra documents whenever OneWest requested them.

But as far as I can tell, OneWest never attempted to process the loan modification. The foreclosure went through and we lost our home on September 10, 2010. The foreclosure left us without a home, and finding a new rental was extremely difficult because of our credit. Juggling the demands of raising our twins and this was so hard—the foreclosure even meant that our kids had to miss school. Eventually we did find a new place, but we had to pay an outrageous rent—even though it was not a good home for us at all.

It's hard to explain the shame, embarrassment, and grief Jack and I felt. I've cried a river of tears over this. I really didn't think we were asking too much: we wanted to hang on to our home for the sake of our kids, and we did everything we could to stay in our home. And while I will probably never know exactly what OneWest did, the outcome of my story proves that Steve Mnuchin's company had no interest in helping us. They wanted to foreclose because they were focused on their profits.

Putting Steve Mnuchin in charge of the country's financial system is an insult to families like mine: families who worked hard and did everything they could to get by after the economy collapsed. Take it from my experience—I know he will not be looking out for working people. Instead, he will use his position to make the economy work better for people like himself. On behalf of my family and others like it, I ask you to please reject Steve Mnuchin as Treasury Secretary.

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#### **Statement of Sylvia Oliver**

Good afternoon, Senator Warren and other senators gathered here today. My name is Sylvia Oliver. I am a homeowner from Scotch Plains, NJ. I received my mortgage from IndyMac in May 2008, and about a month later, IndyMac failed. I want to share my story because it is more than a house—it is a home for me, my husband and my three children and my grandchildren.

In early 2009, my husband and I were facing financial difficulties. Because of the economy being in bad shape, my husband was between jobs. We reached out to OneWest to request a modification. We were told that we had to make three payments in order to move forward on a permanent modification, and so we made those three payments.

After making those payments, I reached back out to OneWest to find out what the next steps were. But I couldn't get a straight answer from them, so we continued making partial payments, even though it was a challenge for us financially.

In February 2010, I submitted a modification application to OneWest Bank. About 6 weeks later I received a Notice of Intent to Foreclose. However, the person I had been talking to at OneWest, a man named Albert, told me not to worry, and encouraged me to continue submitting updated documents to the bank.

So, for the next year, I would submit new documents to the bank, through FedEx and through faxes. And, every week, I would call Albert and ask if he had an update on my situation, and every week I was told there was no answer and to call back the next week.

After a year of my weekly phone calls, I finally received a denial letter from OneWest in February 2011, when they said they couldn't modify my loan. Albert

at OneWest told me I could re-apply for a modification, which I did because I really wanted to keep our home.

For the next several months, the cycle would repeat, with the bank telling me to re-apply for a modification, me believing that they were sincere, and then a few months later, being told we had been declined again. This was surprising because during this time we were back on our feet, and our incomes were both increasing, which meant we were in a better position to pay for our mortgage.

At the end of the 2015, I received another notice of foreclosure from the bank. At this point, it became clear to me that OneWest never had any intention of modifying the loan in such a way that they would still get paid back and we would be able to keep our home.

In March of 2016, I hired a lawyer because I thought they might have more success working with the bank than I did. At my attorney's advice, I filed a Chapter 13 bankruptcy as part of another modification application.

That process went on for about 5 or 6 months, with the same cycle of me sending paperwork over and over to the bank, and the same answer again. Last year, I was facing foreclosure 3 weeks before Christmas; however, that was then postponed until this month. In fact, I was supposed to be foreclosed on by OneWest today, however, after Senator Menendez's office called OneWest, I learned that my sale had been postponed until next month.

Earlier this month, I sought help from a HUD approved housing counselor. She worked with me and my husband to document our income and to submit a modification application. After analyzing our situation, she was surprised to hear that we had not qualified for a modification earlier, especially since my husband and I both have good incomes.

As of right now, I'm still facing foreclosure next month, and I know in my heart this is because OneWest's only intent was to foreclose on my home. This bank has had ample opportunities to modify my loan. In fact, they told me that they own the loan, so I know they can't blame this situation on an investor not allowing them to modify my loan.

Nobody should have to go through the experience that I've gone through during the past several years with OneWest Bank. It's been very painful and stressful not knowing if my kids and my family are going to have a home to live in, or if it's going to be foreclosed on. I would ask you to remember my experience when you consider whether Mr. Mnuchin is qualified to lead the Department of the Treasury. As the CEO and Chair of OneWest Bank, Mr. Mnuchin had the opportunity to help families like mine with responsible loan modifications, and he didn't. I don't think this is a track record that anybody should be proud of.

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PREPARED STATEMENT OF STEVEN TERNER MNUCHIN, SECRETARY-DESIGNATE,  
DEPARTMENT OF THE TREASURY

Chairman Hatch, Ranking Member Wyden, and members of the committee, it is an honor to appear before you today. I am grateful and humbled by President-elect Trump's nomination to serve as the Secretary of Treasury. It is truly an honor and a privilege to be considered for this position.

Thank you to all of the members I have already had an opportunity to meet with during this process. I enjoyed meeting you and learning more about the issues that are important to you. For those members whom I didn't get a chance to meet with, if confirmed, I look forward to meeting with you as well.

I would like to thank Chairman Hatch and his staff for taking so much time to work with me and support me through this process. In addition, I would like to introduce my fiancée, Louise Linton, and my children Emma, JP, and Dylan who are here with me today, and thank them for their unwavering support. I would like to introduce my brother, Alan Mnuchin and his wife Alessandra, and my father, Robert Mnuchin, who has always supported me, and taught me that hard work, determination, and the ability to bring people together can make anything possible. I would like to acknowledge my late mother, Elaine Ternier Cooper, who was an inspiration to me. I would also like to acknowledge my grandparents, Emanuel and Mathilda Ternier, who were also a tremendous influence in my life. My grandfather was a first generation American whose father emigrated from Europe. He truly embodied the American dream. He started out blowing glass bottles by hand and later

built Midland Glass into one of the largest glass manufacturing companies in the United States, with five factories employing thousands of workers. My first job was in his factory when I was in high school. It was there that I first learned the importance of humility, hard work, and commitment.

#### PERSONAL BACKGROUND

For those of you who don't know my background, I studied Economics at Yale University. During the summers I worked at Salomon Brothers under the mentorship of Lew Ranieri and Mike Mortara, who started the mortgage backed securities market. I learned the importance of this market in providing ample and sound financing of housing for American families. At the age of 22, after graduating from Yale, I got a job at Goldman Sachs, where I spent the next 17 years. I started on a folding chair in the mortgage department. Nine years later, and after many sleepless nights, I was put in charge of mortgages, U.S. Government bonds, and municipal securities. Several years after that, I worked directly for future Secretary of the Treasury Hank Paulson as the firm's chief information officer. In that role I oversaw 5,000 people and a \$1-billion budget. While at Goldman Sachs, I learned the importance of the financial markets in providing liquidity and capital to businesses, governments, and consumers.

A few years later, I decided to leave Goldman Sachs to build an investment business and worked briefly at ESL Investments before starting my own investment business, Dune Capital Management.

Throughout my career, my commitment was to my clients and shareholders, for whom I worked tirelessly to get the best results. Thirty years later, my commitment is now to the American people for whom I will work tirelessly by helping to grow our economy and create jobs.

#### INDYMAC

I'm eager to share with you why I believe I will serve well as America's next Secretary of the Treasury. But first I want to correct the record about my involvement with IndyMac Bank.

Since I was first nominated to serve as Treasury Secretary, I have been maligned for taking advantage of others' hardships in order to earn a buck. Nothing could be further from the truth.

During the summer of 2008, I saw the devastation that was caused by the housing crisis when I watched people line up to get their life savings out of IndyMac Bank. It was the middle of the financial crisis and despite the global panic, I saw a way to save the bank. I applied for a banking charter and submitted a bid to the FDIC for IndyMac. On December 31, just before midnight, we signed a binding agreement with the FDIC. They later confirmed that our bid was almost \$1 billion higher than the next best bid. We were willing to invest \$1.6 billion into the costliest bank failure ever to the FDIC. We did this because we believed in our ability to rebuild and create a successful regional bank. We believed in recovery for the American economy.

Let me be clear: my group had nothing to do with the creation of the risky loans in the IndyMac loan portfolios. When we bought the bank, we assumed these bad loans, which had been originated by previous management. Some of those individuals had to answer to Federal authorities for their bad lending decisions.

We invested \$1.6 billion of capital into a failing financial institution when most investors were running for the hills. We renamed the business OneWest Bank and saved thousands of jobs. We developed a prospering community banking franchise in southern California as most major banks were pulling back. Over the next year we bought two more struggling banks from the FDIC: First Federal of Santa Monica and LaJolla Bank, both through competitive bidding. Combined we had over 70 branches and had built a robust lending business, especially for small and medium-sized businesses. As chairman of OneWest, I met with hundreds of business people from all walks of life who were seeking loans to grow their businesses and prosper.

Like many banks at that time, IndyMac and its reverse mortgage division, Financial Freedom, were unstable due to the large amount of distressed credit mortgages in its portfolios. When we bought IndyMac, these "legacy loans" were included in the purchase. The responsibility landed on me to clean up the mess that we inherited. We worked diligently to help hardworking homeowners remain in their homes through modifications, wherever possible. Ultimately, OneWest extended over

100,000 loan modifications to delinquent borrowers to try and help them out of a bad situation.

I am proud of the fact that we continued with the loan modifications started at IndyMac under the leadership of the FDIC. However, the FDIC loan modification program did not work for everyone. When the FDIC took over IndyMac, they estimated that more than half of the foreclosures would not meet their test for a loan modification. And they demanded many policy conditions: extend assistance to sympathetic borrowers by establishing affordable and sustainable payments by borrowers, increase net present value of cash flows to the owner of the loan, and stabilize housing markets. My group had to adhere to servicing agreements which limited our ability to modify loans that could have helped borrowers.

In the press it has been said that I ran a “foreclosure machine.” This is not true. On the contrary, I was committed to loan modifications intended to stop foreclosures. I ran a “Loan Modification Machine.” Whenever we could do loan modifications we did them, but many times, the FDIC, FNMA, FHLMC, and bank trustees imposed strict rules governing the processing of these loans. I am proud to be able to say that our bank was able to modify over 100,000 loans thus allowing people the opportunity to remain in their homes. Unfortunately, not all of the homes could be saved through these programs, and despite my best efforts, some were sadly, subject to foreclosure.

So strong was my concern over this, in 2010 I instructed my lawyers to sue HSBC, as trustee of the securitized loans, to allow us to do loan modifications on loans in trusts they controlled. We won on summary judgment and were consequently allowed to provide more loan modifications and keep more American families in their homes

Similarly, in 2015, when HUD issued Mortgagee Letter 2015-11, I wrote to HUD and asked them to change the policy so that we would not be forced to foreclose on senior citizens who were behind only small amounts on taxes and insurance. I was so troubled by this that I discussed it with our primary regulator, the Office of the Comptroller of the Currency. Unfortunately, HUD did not see it my way, and we were forced to foreclose on senior citizens even when they only owed \$1. Not complying with these HUD policies would have subjected the bank to penalties and losses from HUD.

Despite our inability to save every home from foreclosure, I am proud of the fact that OneWest Bank was the only one of 14 banks that was able to complete the independent foreclosure review that was conducted by the OCC. Every one of the 175,000 borrowers who were in the foreclosure process during 2009 and 2010 were able to pass an independent review of their loan. We had a very low error rate, and independent government reviews routinely showed that we had the most effective loan modification process of any bank.

If we had not bought IndyMac, the bank would likely have been broken up and sold in pieces to private investors, where the outcome for consumers could have been much bleaker.

Overall, I believe we helped many earnest and hard-working homeowners, many who were like my grandparents, stay in their homes and escape financial ruin.

My experience confirmed that we must identify and eliminate unwise and burdensome policies which contribute to the disastrous outcomes that came in the wake of the financial collapse.

Many Americans are continuing to suffer from the disastrous ripple effects of the 2008 crisis. Faithfully ensuring this does not happen again means supporting careful oversight of the financial system which prioritizes the needs of everyday Americans over the wishes of financial institutions or the Federal Government.

I have great empathy for the millions of hardworking American families who needlessly lost their homes because the system failed them. If confirmed as Treasury Secretary, I will work diligently and compassionately for the American people, so that we never endure anything like the meltdown of 2008 again.

#### TRUMP CAMPAIGN

I was deeply honored when Donald Trump asked me to join his campaign as Finance Chairman. I had the opportunity to travel with him and hear first-hand from hardworking Americans about their concerns for the American economy. Over the last year, I visited over 50 cities in 26 States. I remember attending my first rally

with him in Indianapolis. It was an unforgettable experience. As we arrived into a stadium packed with 20,000 people, I saw the excitement that people had for a Trump presidency. On our trip to Flint, Michigan, I went with the President-elect to visit the water treatment facilities and saw first-hand the crumbling pipes and the devastation caused by lead tainted water. We met with water engineers, and witnessed the impact it had on that community and the families that live there. On my travels with the President-elect, we heard the pained and heartbreaking stories of many Americans who had lost their jobs to workers in foreign countries. We heard the concerns of people and small businesses burdened by high taxes—these were people who were just trying to make ends meet. In my meetings with you over the last month you shared with me the concerns of your constituents, like farmers who worry about the death tax wiping out family farms, or workers who are nervous about whether their retirement accounts will be safe.

One of the greatest reasons I was drawn to President-elect Trump's campaign was that it was predicated on a commitment to stimulating prosperity for Americans of all backgrounds—whether they live in inner-city Detroit, or rural North Carolina, or the coal country of Ohio and West Virginia, or any place in between. I share the President-elect's goal to economically empower every citizen. We will not rest in our quest until it is a reality.

Among President-elect Trump's signature issues is reviving trade policies that put the American worker first. I will enforce these trade policies that keep and protect American jobs.

We will also make America the best place for companies to do business. Sensible regulation is a necessity for healthy markets. However, I saw first-hand how regulatory excess can inhibit lending by financial institutions, resulting in a lack of access to capital for small businesses and entrepreneurs. Ben Franklin once said, "The business of the American people is business." From our earliest days, we have always been a Nation of strivers. American businesses are the greatest repository of ingenuity and entrepreneurial spirit in the world. We need to unleash that power to generate jobs and create abundance for Americans of all backgrounds. We will work diligently to limit regulations, lower taxes on hardworking Americans and small businesses, and get the engine of economic growth firing on all cylinders once again.

In this age of unprecedented online attacks, we must also be vigilant about cyber-security. If confirmed, as Secretary of the Treasury, I will use my expertise in technology to protect Americans' information at the IRS and keep our financial architecture safe from malicious attacks.

I will use the Treasury Department's Office of Terrorism and Financial Intelligence to stop the financing of terrorism. I will partner with other Federal agencies in our shared goal of allowing our financial markets to operate safely and keep our citizens secure in the knowledge that we are working for them—24/7.

If I am confirmed as Treasury Secretary, I promise I will work hard with this committee, all members of Congress, and the administration to put forth policies that will help American families reach and maintain prosperity.

We will make America great again.

Thank you. I look forward to answering any questions the Committee may have.

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## **Office of Inspector General**

### **Executive Summary**

#### **Audit of OneWest Bank's Loan Modification Program**

Report No. EVAL-11-004  
July 2011

#### **Why We Did the Audit**

Former FDIC Chairman Sheila Bair requested that the FDIC Office of Inspector General (OIG) assist in reviewing allegations in a letter dated January 10, 2011 addressed to her and other regulators, government officials, and media outlets purportedly from a group of OneWest Bank, FSB (OneWest) employees. The letter alleged that OneWest executives had instructed employees to reject as many loan

modification applications as possible and created an environment that encouraged loan modification staff to misinform borrowers about their eligibility status, routinely shred loan modification applications, and inappropriately deny loan modifications. The letter also stated that the terms of the FDIC's agreement with OneWest created a financial incentive for OneWest to foreclose rather than modify loans.

Our objectives were to determine whether evidence exists to substantiate the allegations in the January 10, 2011 letter, and OneWest is administering loan modifications in accordance with the Home Affordable Modification Program (HAMP) and/or other FDIC-approved loan modification programs adopted under the Shared Loss Agreement Between the FDIC as Receiver for IndyMac Federal Bank, FSB and OneWest Bank, FSB dated March 19, 2009 (SLA).

### **Background**

On July 11, 2008, the Office of Thrift Supervision (OTS) closed IndyMac Bank, FSB, Pasadena, CA, and named the FDIC conservator. Substantially all of IndyMac Bank's assets transferred to IndyMac Federal Bank, FSB, which the FDIC operated to maximize the value of the institution for a future sale and to maintain banking services in the communities formerly served by IndyMac Bank, FSB. On March 19, 2009, the FDIC completed the sale of IndyMac Federal Bank, FSB, to OneWest, a newly formed federal savings bank organized by IMB HoldCo LLC. OneWest purchased more than \$6 billion of deposits and approximately \$20.7 billion in assets at a discount of \$4.7 billion. Among the assets OneWest purchased was \$12.8 billion in single-family mortgage loans.

The FDIC and OneWest entered into the SLA on the single-family mortgage loan portfolio. The FDIC conducts periodic reviews to monitor compliance with the SLA and to review claims for reimbursement. The SLA also requires OneWest to provide regular reports to enable the FDIC to ensure compliance with the SLA and to monitor performance of the covered assets.

Treasury initiated HAMP as part of the Making Home Affordable Program to provide eligible borrowers the opportunity to modify their first lien mortgage loans to make them more affordable. Under HAMP, servicers apply a uniform loan modification process to provide eligible borrowers with affordable and sustainable monthly payments for their first lien mortgage loans. HAMP achieves affordability through interest rate reduction, term extension, principal forbearance, and principal forgiveness.

### **Audit Results**

We did not find evidence to support the allegations in the January 10, 2011 letter, and we determined that several statements made in the letter about OneWest officials and the loan modification process were factually inaccurate.

OneWest paid a \$4.7-billion discount for the IndyMac assets, and the FDIC will reimburse OneWest for losses based on the full book value of those assets, which has been viewed by some to create an incentive for OneWest to foreclose on loans rather than modify them. In fact, OneWest must incur cumulative losses of more than \$2.5 billion before the FDIC begins reimbursing OneWest for any losses. The FDIC competitively bid IndyMac assets, and FDIC officials advised us that OneWest's acquisition represented the least cost transaction to the Deposit Insurance Fund. Further, we determined that there were compensating controls that mitigate the risk that OneWest would pursue foreclosures over loan modifications and ensure that OneWest pursues actions under the SLA that minimize losses to the FDIC.

We did identify borrower communication issues that might have resulted in borrower misunderstanding or confusion, and fueled perceptions that OneWest favors foreclosures over loan modifications. OneWest has taken steps to address those issues. In addition, we noted that the quality of the IndyMac loan portfolio that OneWest acquired made it difficult for borrowers to qualify for loan modifications and likely contributed to the perception that OneWest denies many loan modifications.

With respect to our second objective, we determined that OneWest administered loan modifications in accordance with HAMP. OneWest appropriately solicited borrowers for and processed loan modifications more than 98 percent of the time based on our review of a random sample of 260 loans. We found four exceptions: one related to the HAMP loan modification solicitation process, which establishes a reasonable effort standard for soliciting borrower interest; in three instances, OneWest incorrectly denied modifications. OneWest took corrective action either before or as a result of this audit to address all four cases. In addition, we noted that OneWest

provides borrowers with other alternatives to help them remain in their homes when HAMP loan modification is not available.

**Management Comments**

This report makes no recommendations, so a management response was not required. FDIC management had no comments. Also, FDIC management provided a copy of the draft report to OneWest for its feedback. OneWest advised management that it had no comments.

Because this report includes confidential commercial information from OneWest, we do not intend to publicly release the report in its entirety.

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**SENATE FINANCE COMMITTEE**

**STATEMENT OF INFORMATION REQUESTED  
OF NOMINEE**

**A. BIOGRAPHICAL INFORMATION**

1. Name (include any former names used): Steven Terner Mnuchin.
2. Position to which nominated: Secretary, Department of the Treasury.
3. Date of nomination: November 30, 2016.
4. Address (list current residence, office, and mailing addresses):
5. Date and place of birth: December 21, 1962, New York, New York.
6. Marital status (include maiden name of wife or husband's name):
7. Names and ages of children:
8. Education (list secondary and higher education institutions, dates attended, degree received, and date degree granted):  
 Secondary Education: Riverdale Country School, 9/1973–6/1981, high school diploma, 6/1981.  
 Yale University, 9/1981–6/1985, bachelor's degree, 6/1985.
9. Employment record (list all jobs held since college, including the title or description of job, name of employer, location of work, and dates of employment):
  - Dune Capital Management LP
    - Chairman and CEO
    - 450 Park Avenue
    - New York, NY 10022
    - 9/2004–Present
  - CIT Group Inc.
    - Vice chairman
    - 888 E. Walnut Street
    - Pasadena, CA 91101
    - 8/2015–3/2016
  - OneWest Bank Group LLC
    - Chairman and CEO
    - 888 E. Walnut Street
    - Pasadena, CA 91101
    - 3/2009–8/2015
  - SFM Capital Management LP
    - CEO
    - 888 Seventh Avenue
    - New York, NY 10106
    - 8/2003–9/2004
  - ESL Investments
    - Vice chairman
    - 200 Greenwich Avenue

- Greenwich, CT 06830
  - 1/2003–7/2003
  - Goldman Sachs Group Inc.
    - Partner, managing director, EVP, and CIO
    - 85 Broad Street
    - New York, NY 10004
    - 9/1985–12/2002
10. Government experience (list any advisory, consultative, honorary, or other part-time service or positions with Federal, State, or local governments, other than those listed above):
- None.
11. Business relationships (list all positions held as an officer, director, trustee, partner, proprietor, agent, representative, or consultant of any corporation, company, firm, partnership, other business enterprise, or educational or other institution):
- Dune Capital Management LP, chairman and CEO
  - CIT Group Inc., vice chairman
  - OneWest Bank Group LLC, chairman and CEO
  - Dune Capital Management GP LLC, sole owner
  - OneWest Bank NA, chairman and director
  - CIT Bank NA, chairman and director
  - CIT Group Inc., director
  - Sears Holdings Inc., director
  - Steven T. Mnuchin Inc., president and sole owner
  - STM Partners LLC, managing member
  - SHM Investments LLC, management member
  - Steven T. Mnuchin Revocable Trust, trustee
  - Steven and Heather Mnuchin Foundation, trustee
  - Steven T. Mnuchin GST Trust, trustee
  - Alan G. Mnuchin GST Trust, trustee
  - Elaine T. Cooper Estate, co-executor
  - Elaine T. Cooper Foundation, trustee
  - The GMG 2002 Trust, trust protector
  - The SMG 2002 Trust, trust protector
  - The LFG 2002 Trust, trust protector
  - Graham Morris Gewirz 1999 Trust, trustee
  - Lillian Frances Gewirz 1999 Trust, trustee
  - Stella May Gewirz 1999 Trust, trustee
  - The Nicholas Floyd Lampert 2015 Trust, trustee
  - The Nina Rosa Lampert 2015 Trust, trustee
  - Trust U Art 6th (b) Michael Mortara, trustee
  - Virginia Mortara 2007 Family Trust, trustee
  - The Matthew Peter Mortara 2006 Trust, trustee
  - Virginia and Michael Mortara Foundation, trustee
  - Michael Mortara Insurance Trust, trustee
  - Mortara Family Trust, trustee
  - LeFrak Trust Company, director
  - MOCA, trustee
  - LAPD Foundation, trustee
  - UCLA Hospital, member, board
  - Cedars-Sinai Hospital, member, board of governors
  - Relativity Media, non-executive co-chairman and board member
  - Kmart Holdings, board member
  - The Milton R. and Jena M. Berlinski 2003 Life Insurance Trust, trustee
  - The Michael Paul Mortara 2006 Trust, trustee
  - Crummey Trust fbo Matthew Peter Mortara, trustee
  - 2503(c) Minority Trust fbo Matthew Peter Mortara, trustee
  - Dune Entertainment Partners LLC, chairman
  - StormChaser Partners LLC, chairman
  - SFM Capital Management LP, CEO
  - ESL Management, vice chairman
  - Goldman Sachs Group Inc., partner, managing director, EVP, and CIO
  - New York Presbyterian Hospital, life trustee
  - Dune Capital Partners LLC, manager
  - Dune Capital Partners II LP, manager



- Dune Capital Partners III LLC, managing member
  - Dune Capital Manager LLC, managing member
  - IMB Management Holdings GP LLC, member
  - SHM Partners II LLC, managing member
  - STM Capital LLC, managing member
  - IMB Holdco LLC, chairman
  - OneWest Foundation, director, chairman/CEO
  - Dune Capital International Ltd, director
  - The Edward S. Lampert 2012 Family Trust
  - Alan G. Mnuchin 2016 Insurance Trust
12. Memberships (list all memberships and offices held in professional, fraternal, scholarly, civic, business, charitable, and other organizations):
- Sebonak Golf Club, Southampton, NY
  - El Dorado Golf Club, Cabo Mexico
  - Maravilla Club, Cabo Mexico
  - Riviera Golf Club, Los Angeles, CA
  - Jonathan Club, Los Angeles, CA
  - Lyford Cay Club, Nassau, Bahamas
  - Pacific Council on International Policy, Los Angeles, CA
  - Russel Trust Association, Yale University, New Haven, CT
  - Temple Emanuel, New York, NY
  - Park East Synagogue, New York, NY
  - Kehillat Israel, Pacific Palisades, CA
13. Political affiliations and activities:
- a. List all public offices for which you have been a candidate.  
None.
  - b. List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.  
Finance Chairman, Trump for America, Inc.
  - c. Itemize all political contributions to any individual, campaign organization, political party, political action committee, or similar entity of \$50 or more for the past 10 years.

Transaction Date	Recipient	Amount	Contribution Type
06/30/2006	Maria Cantwell	\$1,000	Contribution to all other political committees except joint fundraising committees
06/14/2006	John J. Cranfey IV	\$1,000	Contribution to all other political committees except joint fundraising committees
07/24/2006	Solutions America PAC	\$3,000	Contribution to all other political committees except joint fundraising committees
09/19/2006	Edward M. Lamont	\$2,100	Contribution to all other political committees except joint fundraising committees
01/12/2007	Friends of Christine Quinn	\$500	Contribution to all other political committees except joint fundraising committees
02/22/2007	Mary Landrieu	\$2,300	Contribution to all other political committees except joint fundraising committees
02/01/2007	Bill Richardson	\$2,100	Contribution to all other political committees except joint fundraising committees
02/01/2007	John Edwards	\$2,100	Contribution to all other political committees except joint fundraising committees
02/14/2007	Rudolph W. Giuliani	\$2,300	Contribution to all other political committees except joint fundraising committees

Transaction Date	Recipient	Amount	Contribution Type
03/28/2007	Christopher J. Dodd	\$2,300	Contribution to all other political committees except joint fundraising committees
04/18/2007	Frank R. Lautenberg	\$1,000	Contribution to all other political committees except joint fundraising committees
06/04/2007	Barak Obama	\$2,300	Contribution to all other political committees except joint fundraising committees
07/02/2007	Dodd for President	\$2,300	Contribution to all other political committees except joint fundraising committees
07/06/2007	Friends of Jack Marnell	\$1,000	Contribution to all other political committees except joint fundraising committees
10/22/2007	Hillary Rodham Clinton	\$2,300	Contribution to all other political committees except joint fundraising committees
11/13/2007	Mitt Romney	\$2,300	Contribution to all other political committees except joint fundraising committees
12/21/2007	Friends of Christine Quinn	\$1,000	Contribution to all other political committees except joint fundraising committees
02/25/2007	Friends of Christine Quinn	\$1,000	Contribution to all other political committees except joint fundraising committees
03/31/2008	Hillary Rodham Clinton	\$2,300	Contribution to all other political committees except joint fundraising committees
04/07/2008	Michael Wildes	\$1,900	Contribution to all other political committees except joint fundraising committees
05/12/2009	David Yassky	\$1,000	Contribution to all other political committees except joint fundraising committees
05/12/2010	Michael Wildes	\$1,900	Contribution to all other political committees except joint fundraising committees
07/19/2010	Andrew Cuomo	\$5,000	Contribution to all other political committees except joint fundraising committees
07/12/2011	Timothy Pawlenty	\$1,000	Contribution to all other political committees except joint fundraising committees
09/01/2011	Mitt Romney	\$5,000	Contribution to all other political committees except joint fundraising committees
05/08/2012	Michael Wildes	\$1,900	Contribution to all other political committees except joint fundraising committees
06/08/2012	Republican National Committee	\$7,500	Recipient of joint fundraiser contribution
06/08/2012	Mitt Romney	\$2,500	Recipient of joint fundraiser contribution
09/10/2012	Republican National Committee	\$12,500	Recipient of joint fundraiser contribution
10/10/2012	Bloom for Assembly	\$2,500	Contribution to all other political committees except joint fundraising committees
10/15/2012	Prop 32	\$5,000	Contribution to all other political committees except joint fundraising committees
05/11/2013	Wendy Greuel	\$1,300	Contribution to all other political committees except joint fundraising committees

Transaction Date	Recipient	Amount	Contribution Type
02/07/2014	Hagan for Senate	\$1,000	Contribution to all other political committees except joint fundraising committees
04/29/2014	Michael Wildes	\$1,900	Contribution to all other political committees except joint fundraising committees
02/10/2016	Kamala Harris	\$2,000	Contribution to all other political committees except joint fundraising committees
05/13/2016	Michael Wildes	\$1,900	Contribution to all other political committees except joint fundraising committees
05/17/2016	Donald Trump	\$10	Contribution to all other political committees except joint fundraising committees
06/08/2016	Republican National Committee	\$7,500	Recipient of joint fundraiser contribution
06/30/2016	Trump Victory	\$425,000	Joint fundraising contribution
06/30/2016	NY Republican Federal Campaign Committee	\$10,000	Recipient of joint fundraiser contribution
06/30/2016	Republican Party of Arkansas	\$10,000	Recipient of joint fundraiser contribution
06/30/2016	Republican Party of Virginia	\$10,000	Recipient of joint fundraiser contribution
06/30/2016	Donald Trump	\$2,700	Recipient of joint fundraiser contribution
06/30/2016	Donald Trump	\$2,700	Recipient of joint fundraiser contribution
06/30/2016	Republican Party of Louisiana	\$10,000	Recipient of joint fundraiser contribution
06/30/2016	Republican National Committee	\$100,200	Recipient of joint fundraiser contribution
06/30/2016	Republican National Committee	\$75,800	Recipient of joint fundraiser contribution
06/30/2016	Republican National Committee	\$33,400	Recipient of joint fundraiser contribution
06/30/2016	Republican Party of Mississippi	\$10,000	Recipient of joint fundraiser contribution
06/30/2016	Republican Party of West Virginia	\$10,000	Recipient of joint fundraiser contribution
07/22/2016	Team Ryan	\$25,000	Joint fundraising contribution
07/22/2016	Paul Ryan	\$2,700	Recipient of joint fundraiser contribution
07/22/2016	Paul Ryan	\$2,700	Recipient of joint fundraiser contribution
09/27/2016	South Carolina Republican Party	\$10,000	Recipient of joint fundraiser contribution
09/30/2016	Tennessee Republican Federal Election Account	\$10,000	Recipient of joint fundraiser contribution
09/30/2016	Connecticut Republican Campaign Committee	\$10,000	Recipient of joint fundraiser contribution
09/30/2016	New Jersey Republican State Committee	\$10,000	Recipient of joint fundraiser contribution

14. Honors and awards (list all scholarships, fellowships, honorary degrees, honorary society memberships, military medals, and any other special recognitions for outstanding service or achievement):

None.

15. Published writings (list the titles, publishers, and dates of all books, articles, reports, or other published materials you have written):

None.

16. Speeches (list all formal speeches you have delivered during the past 5 years which are on topics relevant to the position for which you have been nominated):

None.

17. Qualifications (state what, in your opinion, qualifies you to serve in the position to which you have been nominated):

I have extensive management, technology, and investment expertise which I will apply to my position in government. I have over 30 years of business experience, including expertise in financial markets, lending, banking, regulatory, entertainment, and technology.

#### **B. FUTURE EMPLOYMENT RELATIONSHIPS**

1. Will you sever all connections with your present employers, business firms, associations, or organizations if you are confirmed by the Senate? If not, provide details.

Yes.

2. Do you have any plans, commitments, or agreements to pursue outside employment, with or without compensation, during your service with the government? If so, provide details.

No.

3. Has any person or entity made a commitment or agreement to employ your services in any capacity after you leave government service? If so, provide details.

No.

4. If you are confirmed by the Senate, do you expect to serve out your full term or until the next presidential election, whichever is applicable? If not, explain.

Yes.

#### **C. POTENTIAL CONFLICTS OF INTEREST**

1. Indicate any investments, obligations, liabilities, or other relationships which could involve potential conflicts of interest in the position to which you have been nominated.

In connection with the nomination process, I have begun consulting with the Office of Government Ethics and the Department of the Treasury's designated agency ethics officials to identify any potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I will enter into with the Department's designated agency ethics official and that will be provided to this committee.

2. Describe any business relationship, dealing or financial transaction which you have had during the last 10 years, whether for yourself, on behalf of a client, or acting as an agent, that could in any way constitute or result in a possible conflict of interest in the position to which you have been nominated.

In connection with the nomination process, I have begun consulting with the Office of Government Ethics and the Department of the Treasury's designated agency ethics officials to identify any potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I will enter into with the Department's designated agency ethics official and that will be provided to this committee.

3. Describe any activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat, or modification of any legislation or affecting the administration and execution of law or public policy. Activities performed as an employee of the Federal Government need not be listed.

None.

4. Explain how you will resolve any potential conflict of interest, including any that may be disclosed by your responses to the above items.

In connection with the nomination process, I have begun consulting with the Office of Government Ethics and the Department of the Treasury's designated agency ethics officials to identify any potential conflicts of interest. Any potential conflicts of interest will be resolved in accordance with the terms of an ethics agreement that I will enter into with the Department's designated agency ethics official and that will be provided to this committee.

5. Two copies of written opinions should be provided directly to the Committee by the designated agency ethics officer of the agency to which you have been nominated and by the Office of Government Ethics concerning potential conflicts of interest or any legal impediments to your serving in this position.
6. The following information is to be provided only by nominees to the positions of United States Trade Representative and Deputy United States Trade Representative:

Have you ever represented, advised, or otherwise aided a foreign government or a foreign political organization with respect to any international trade matter? If so, provide the name of the foreign entity, a description of the work performed (including any work you supervised), the time frame of the work (*e.g.*, March to December 1995), and the number of hours spent on the representation.

N/A.

#### **D. LEGAL AND OTHER MATTERS**

1. Have you ever been the subject of a complaint or been investigated, disciplined, or otherwise cited for a breach of ethics for unprofessional conduct before any court, administrative agency, professional association, disciplinary committee, or other professional group? If so, provide details.  
None.
2. Have you ever been investigated, arrested, charged, or held by any Federal, State, or other law enforcement authority for a violation of any Federal, State, county, or municipal law, regulation, or ordinance, other than a minor traffic offense? If so, provide details.  
No.
3. Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.  
Please see Attachment A.
4. Have you ever been convicted (including pleas of guilty or *nolo contendere*) of any criminal violation other than a minor traffic offense? If so, provide details.  
No.
5. Please advise the committee of any additional information, favorable or unfavorable, which you feel should be considered in connection with your nomination.  
N/A.

#### **E. TESTIFYING BEFORE CONGRESS**

1. If you are confirmed by the Senate, are you willing to appear and testify before any duly constituted committee of the Congress on such occasions as you may be reasonably requested to do so?  
Yes.
2. If you are confirmed by the Senate, are you willing to provide such information as is requested by such committees?  
Yes.

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### **ATTACHMENT A**

**Section D. 3.** Have you ever been involved as a party in interest in any administrative agency proceeding or civil litigation? If so, provide details.

Caption	Jurisdiction	Filed Date	Description
John Carrington V. Steven Mnuchin	U.S. Ct. of App., 4th Cir.	October 14, 2016	I was a named defendant in this case due to my position at CIT/OneWest Bank. This matter involved an appeal of the court's denial of plaintiffs' Rule 59(e) motion (seeking to alter the court's denial with prejudice of plaintiffs' Rule 60(b) motion for relief) in the state court case below (5:13-CV-03422). A motion to amend caption to remove my name was filed on December 7, 2016 to reflect an earlier (unchallenged) ruling in the state court proceeding regarding lack of service, which motion is pending.
U.S. Bank National Association v. Franco et al.	HI U.S. Dist. Ct.	June 8, 2016	I was a named defendant in this case due to my position at CIT/OneWest Bank. This matter involves a contested foreclosure. This case was appealed and removed to federal court from state court case number 13-1-0627. I was dismissed with prejudice prior to appeal. The appeal does not affect the dismissal.
Lipovich, Joseph v. CIT Group Inc., John A. Thain, Ellen R. Alemany, Michael J. Embler, Alan Frank, William M. Freeman, David M. Moffett, Steven Mnuchin, R.	NY New York Sup. Ct.	January 10, 2016	I was a named defendant in this case due to my position at CIT/OneWest Bank. Plaintiff alleges that the CIT board of directors failed to comply with Section 141(k) of the Delaware General Corporation Law, which provides that a simple majority vote of a company's stockholders is needed to remove directors from a company's board of directors. This matter was resolved by settlement on October 12, 2016.
Rossof, Jacob v. Edward S. Lampert et al.	DE Chancery Ct.	June 19, 2015	I was a named defendant in this case due to my position at Sears Holdings Corp. Plaintiff alleged certain Sears officers and directors breached their fiduciary duties in connection with the sale of various commercial real estate holdings to Seritage. Without conceding that the allegations have any merit whatsoever, the parties have reached an agreement in principle to resolve the litigation and are in the process of preparing a formal settlement agreement.
Ryan Flanagan v. Edward S. Lampert	DE Chancery Ct.	June 19, 2015	I was a named defendant in this case due to my position at Sears Holdings Corp. Plaintiff alleged certain Sears officers and directors breached their fiduciary duties in connection with the sale of various commercial real estate holdings to Seritage. Without conceding that the allegations have any merit whatsoever, the parties have reached an agreement in principle to resolve the litigation and are in the process of preparing a formal settlement agreement.

Caption	Jurisdiction	Filed Date	Description
Stein, Shiva v. Edward S. Lampert	DE Chancery Ct.	June 18, 2015	I was a named defendant in this case due to my position at Sears Holdings Corp. Plaintiff alleged certain Sears officers and directors breached their fiduciary duties in connection with the sale of various commercial real estate holdings to Seritage. Without conceding that the allegations have any merit whatsoever, the parties have reached an agreement in principle to resolve the litigation and are in the process of preparing a formal settlement agreement.
Teena Colebrook v. Steven O. App et al.	U.S. Dist. Ct., Central District, CA	May 28, 2015	I was a named defendant in this case due to my position at CIT/OneWest Bank. Plaintiff alleges "trespass" by way of use of a forged instrument. This matter was dismissed without prejudice on June 10, 2015.
In re Sears Holdings Corporation Stockholder and Derivative Litigation	DE Chancery Ct.	May 29, 2015	I was a named defendant in this case due to my position at Sears Holdings Corp. Plaintiff alleged certain Sears officers and directors breached their fiduciary duties in connection with the sale of various commercial real estate to Seritage. Without conceding that the allegations have any merit whatsoever, the parties have reached an agreement in principle to resolve the litigation and are in the process of preparing a formal settlement agreement.
Teena Colebrook v. Joseph Otting et al.	Sup. Ct., San Luis Obispo County, CA	April 2, 2015	I was a named defendant in this case due to my position at CIT/OneWest Bank. Plaintiff alleges "trespass" and "fraudulent claims." This matter was resolved by voluntary dismissal on April 29, 2015.
Dr. Robert A. Kuzner, Jr. v. OneWest Bank; Joseph Otting et al.	U.S. Dist. Ct., Dist. of MD	September 18, 2014	I was a named defendant in this case due to my position at CIT/OneWest Bank. Lawsuit filed alleging 25 causes of action ranging from conspiracy to commit extortion, embezzlement and banking fraud to conspiracy to commit burglary, harassment, stalking, theft, and murder. This matter was dismissed without prejudice on October 16, 2014.
Heather Mnuchin v. Steven Mnuchin	CA Los Angeles Sup. Ct.	March 6, 2014	This matter relates to my divorce from my second wife.

Caption	Jurisdiction	Filed Date	Description
Carrington et al. v. Mnuchin et al.	SC U.S. Dist. Ct.	December 6, 2013	I was a named defendant in this case due to my position at CIT/OneWest Bank. Plaintiffs allege breach of contract and RESPA violations for alleged failure to maintain payments on property taxes for escrowed loan, resulting in tax sale in which borrowers were forced to redeem unpaid taxes and subsequently default. The complaint also alleges improper denial of loan modification. This matter has been appealed. See case 16-2190 above.
Colebrook, Teena v. Mnuchin, Steven T.—OneWest Bank CEO	Sup. Ct, Los Angeles County, CA	October 23, 2013	I was a named defendant in this case due to my position at CIT/OneWest Bank. Small claims filing seeking maximum claim of \$10,000 as a party in interest to the note and deed. Dismissed without prejudice on September 23, 2013.
State of New Jersey v. Mnuchin, Steve; OneWest Bank, FSB	Middletown Township Municipal Court, Monmouth County, NJ	April 11, 2013	I was a named defendant in this case due to my position at CIT/OneWest Bank. Notice of warrant received on April 1, 2013 identifying arrest warrant made out for Steve Mnuchin for unanswered complaint with bail amount set for \$500. The referenced unanswered complaint names Steve Mnuchin and OneWest Bank for unremediated code violations. This matter was resolved by voluntary dismissal of charges against me on July 23, 2013; charges against OWB resolved by fine.
Clark v. Boyle et al.	CA U.S. Dist. Ct., North	July 6, 2012	I was a named defendant in this case due to my position at CIT/OneWest Bank. Plaintiff alleges violations of RICO, bankruptcy fraud, unjust enrichment, extortion, fraud, constructive trust, intentional infliction of emotional distress, violation of CA Bus. and Prof. Code 17200 et seq., violation of CA Civil Code Section 789.3. This matter was dismissed without prejudice on October 1, 2014.



Caption	Jurisdiction	Filed Date	Description
In re Madoff Securities	U.S. Ct. of App., 2nd Cir.	June 21, 2012	I was a named defendant in this case due to my position as co-executor of my mother's estate. Irving H. Picard, as trustee for debtor Bernard L. Madoff Securities LLC, sued to avoid fictitious profits paid by the debtor to hundreds of customers over the life of the Ponzi scheme operated by Madoff. The defendant customers moved to dismiss certain of these avoidance claims pursuant to 11 U.S.C. § 546(e), which shields from recovery securities-related payments made by a stockbroker. The U.S. District Court for the Southern District of New York (Rakoff, J.) agreed that § 546(e) barred the claims, dismissed them, and certified the dismissal as a final judgment. The trustee appealed. This case encompasses several consolidated matters. U.S. Court of Appeals for the Second Circuit affirmed judgment of district court on December 8, 2014. Petition for writ of certiorari by U.S. Supreme Court denied on June 2, 2015.
Irving H. Picard, Trustee v. Estate of Elaine Cooper et al.	NY U.S. Dist. Ct., South	November 30, 2011	I was a named defendant in this case due to my position at co-executor of my mother's estate. Defendants filed a motion for entry of an order granting mandatory withdrawal of the reference of the above-captioned adversary proceeding pursuant to 28 U.S.C. § 157(d) because allegations and claims by Irving H. Picard, as trustee for debtor Bernard L. Madoff Securities LLC, in the complaint in this action were substantially similar to those in another action (Picard v. Goldstein, Adv. Pro. No. 10-04482 (BRL) (Bankr. S.D.N.Y.)) related to the Bernard Madoff suits initiated by Mr. Picard. The motion was denied on August 1, 2014.
Carozza, David-Michael v. IndyMac Venture LLC, et al.	CA Los Angeles Sup. Ct.	June 28, 2011	I was a named defendant in this case due to my position at CIT/OneWest Bank. Plaintiff voluntarily dismissed this matter on July 18, 2011.
David-Michael Carozza et al. v. IndyMac Venture, LLC et al.	CA Los Angeles Sup. Ct.	June 28, 2011	I was a named defendant in this case due to my position at CIT/OneWest Bank. This matter was dismissed on July 29, 2011.

Caption	Jurisdiction	Filed Date	Description
Sheila Marie George v. State of Washington DBA United States Bankruptcy Court et al.	Bankruptcy Court, Western District, King County, WA	December 16, 2010	I was a named defendant in this case due to my position at CIT/OneWest Bank. Bankruptcy-Borrower filed second chapter 13 in December of 2010. Sheila Marie George, Secured Party Creditor, filed a Subpoena and Adversary Pro Se complaint demanding that the Defendants produce their proof of claim regarding the original note and mortgage and registration statements as proof for inspection. Borrower alleges that securitization is illegal. This matter was dismissed without prejudice on January 31, 2011.
Theodore Frank v. Robert F. Booth Trust, et al.	U.S. Ct. of App., 7th Cir.	October 1, 2010	I was a named defendant in this case due to my position at Sears Holdings Corp. Plaintiff alleged certain "interlocking directorships" violated section 8 of the Clayton Act. Without conceding that the allegations had any merit whatsoever, the parties reached a confidential settlement.
Sheila Marie George v. Phillip H. Brandt et al.	Bankruptcy Court, Western District, King County, WA	June 2, 2010	I was a named defendant in this case due to my position at CIT/OneWest Bank. Bankruptcy-Borrower filed chapter 13 in December of 2009. Sheila Marie George, Secured Party Creditor, filed a Subpoena and Adversary Pro Se complaint demanding that the Defendants produce their proof of claim regarding the original note and mortgage and registration statements as proof for inspection. Borrower alleges that securitization is illegal. This matter was dismissed without prejudice on June 3, 2010.
Wright v. OneWest Mortgage	MD Prince George's Cir. Ct.	March 15, 2010	I was a named defendant in this case due to my position at CIT/OneWest Bank. This matter was dismissed on January 4, 2011.
David Morales v. Federal Deposit Insurance Corporation et al.	CA U.S. Dist. Ct., Central	February 16, 2010	I was a named defendant in this case due to my position at CIT/OneWest Bank. It involved a Federal court action to remove the matter from State court. This matter was dismissed on April 29, 2010 and remanded to State court (the State court action was dismissed with prejudice on November 8, 2011).
Gross v. Crowley et al.	IL U.S. Dist. Ct., North	September 14, 2009	I was a named defendant in this case due to my position at Sears Holdings Corp. Plaintiff alleged certain "interlocking directorships" violated section 8 of the Clayton Act. Without conceding that the allegations had any merit whatsoever, the parties reached a confidential settlement.

Caption	Jurisdiction	Filed Date	Description
Robert F. Booth Trust v. Crowley et al.	IL U.S. Dist. Ct., North	August 28, 2009	I was a named defendant in this case due to my position at Sears Holdings Corp. Plaintiff alleged certain "interlocking directorships" violated section 8 of the Clayton Act. Without conceding that the allegations had any merit whatsoever, the parties reached a confidential settlement.
Estate of Elaine Terner Cooper, Deceased, Steven Mnuchin, and Alan Mnuchin, Executors v. Commissioner of Internal Revenue	U.S. Tax Court	August 7, 2009	I was a named defendant in this case due to my position at co-executor of my mother's estate. The matter was resolved by a stipulated decision entered on August 17, 2015.
Daniel Barry Lindsey; Barr-Lind Maintenance v. Capital Contractors Inc. et al.	Western New York Chautauqua County Supreme Court	August 3, 2009	I was a named defendant in this case due to my position at Sears Holdings Corp. Plaintiff alleged that Sears breached certain contracts and/or defrauded a vendor. Without conceding that the allegations had any merit whatsoever, the parties reached a confidential settlement.
Jenkins v. Bair et al.	FL U.S. Dist. Ct., South	January 9, 2009	I was a named defendant in this case due to my position at CIT/OneWest Bank. Plaintiff alleged violations of RICO, the Fair Debt Collection Practices Act, and "common law malicious foreclosure." This matter was dismissed with prejudice on October 30, 2009.
Mercedes Benz Financial v. Steve Mnuchin	FL Palm Beach 15th Judicial Cir.	May 1, 2006	This matter relates to my position as co-executor of my mother's estate.
In re: Elaine Terner Cooper	FL Palm Beach 15th Judicial Cir.	September 8, 2005	This matter relates to my position as co-executor of my mother's estate.
M & C C of Baltimore v. Bernard R. Fellerman et al.	MD Baltimore City Cir. Ct.	May 7, 2004	At this time, I do not have information regarding this matter. Additional details will be provided as they become available.
Mnuchin, Steven T. v. Mnuchin, Kathryn M.	NY New York County Clerk Civil Index	December 22, 1998	This matter relates to my divorce from my first wife.

QUESTIONS SUBMITTED FOR THE RECORD TO STEVEN TERNER MNUCHIN

QUESTIONS SUBMITTED BY HON. ORRIN G. HATCH

TRADE: FINANCIAL SERVICES DATA

*Question.* Among my concerns with the Trans-Pacific Partnership, or TPP, agreement is the fact that it failed to prohibit local data storage requirements in the financial services sector. This outcome was inconsistent with the clear direction on data flows that Congress set out in TPA. These types of localization requirements are a serious problem for U.S. financial services companies, who often face pressure to store their data overseas. This increases costs, reduces data security, and in some cases, makes entering markets unfeasible. In short, these measures mean financial services jobs located in the United States may have to be moved overseas to meet foreign data localization requirements.

I wonder whether you can give me your assurance that, if confirmed, you will combat data localization measures for all industry sectors wherever they appear, and not continue the past administration's practice of excluding financial services from those protections or from future trade negotiations.

Answer. I will work with you and your staff to ensure that the versions of future trade agreements include financial services where appropriate.

#### GSES

*Question.* As former Treasury Secretary Hank Paulson has stated, the conservatorship of mortgage giants Fannie and Freddie, also known as Government Sponsored Enterprises, or GSEs, were to be a "time out," while the government decides how to restructure the GSEs. Fannie and Freddie went into conservatorship in 2008 which means that the "time out" has lasted for more than 8 full years.

Numerous commentators, including analysts at the Federal Reserve, have commented on a need to finally get to restructuring Fannie and Freddie. For example, in a March 2015 Staff Report from the Federal Reserve Bank of New York, analysts wrote that ". . . there appears to be broad consensus that Fannie Mae and Freddie Mac should be replaced by a private system—perhaps augmented by public reinsurance against extreme tail outcomes. . . ."

You also recently echoed the need to get to finality on restructuring Fannie and Freddie, and I'd expect you, as nominee for Treasury Secretary, to be thinking about such issues. The Obama administration has, for the past 8 years, shared the view that Congress should pass legislation to reform our housing-finance system. Do you agree with the views of many that the "time out" on the GSEs ought to end, and Fannie and Freddie need to somehow be restructured or ended?

Answer. I agree that the United States needs a comprehensive approach to its housing finance policy. With Fannie Mae and Freddie Mac both in conservatorship, it is difficult to articulate their long-term role within our housing finance policy. Eight years passed since they entered conservatorship and there has been a significant recovery of housing prices across the country. So that lends itself to be a good time, in my view, to address the desired future state we seek for housing finance in our country.

I look forward to exploring with Congress and stakeholders across the public and private sector solutions to this important problem.

#### ROLE OF UNITED STATES IN OECD

*Question.* The past several years have seen a focus by the United States and other countries in the OECD to address tax base erosion and profit shifting, or BEPS. Unfortunately, soon after the conclusion of a series of agreed-upon actions to address BEPS, some countries decided to go their own way and take actions that were inconsistent with the agreed-upon actions. Given this, what role, if any, should the United States continue to play at the OECD?

Answer. The U.S. Representative to the OECD must vigorously advance the United States' agenda. As a founding member of the organization, the United States should take a leading role in shaping the agenda of the organization. In instances where other nations choose to take actions inconsistent with agreed upon actions, the United States should act in accordance with our best interests.

#### TREASURY OVERSIGHT OF CUSTOMS REVENUE FUNCTIONS

*Question.* When the legacy agency to U.S. Customs and Border Protection (CBP) was transferred from the Treasury to the Department of Homeland Security (DHS) in 2002, Treasury retained oversight over the Customs revenue functions. A recent report by the Treasury's Office of Inspector General, however, has determined that Treasury is not providing proper oversight of the Customs revenue functions.

Do I have your commitment that you will work to ensure that Treasury provides the proper oversight of Customs revenue functions of CBP?

Answer. I will work with you, Mr. Chairman, to ensure that proper oversight occurs of the Customs revenue function.

#### INCREASING TARIFFS

*Question.* Until recently, I have never heard so much discussion of raising tariffs. I understand and support the desire to improve U.S. trade, but higher tariffs are

higher taxes. If we raise tariffs, we have to understand we are taxing American families.

With that in mind, in what situations do you think it is appropriate to raise tariffs?

Answer. Congress has created and codified a range of tools that are available to address unfair trade practices and cheating, and certain tariffs may be appropriate. President Trump has said that our trade policy will ensure that American companies and American workers should benefit.

#### RETIREMENT POLICY

*Question.* Last year the Finance Committee reported out a bi-partisan retirement reform bill, on a 26 to 0 vote in fact, that included reforms such as additional incentives for small businesses that set up retirement plans, authorization for employers to join so-called “multiple employer plans” so that they can join forces to share the costs of offering a plan, and legislation making it easier for employers to provide, and for employees to purchase, retirement annuities in their 401(k)-type plans.

I don’t know whether you have had a chance to focus on retirement reform yet, but it has been a priority with the committee for quite some time and, as you can see, has very strong support.

Can you assure me that the Treasury Department will work with the Finance Committee in the new Congress to enact retirement reform?

Answer. Multiemployer plans in many cases are appropriate such that they can join forces and share costs. I look forward to working with you and your staff on this issue.

#### IRS TAXPAYER SERVICE AND CYBERSECURITY

*Question.* The IRS has faced significant problems over the past several years in providing quality taxpayer service and protecting taxpayer information from cybercriminals. What actions do you think the agency needs to take to increase quality taxpayer services and prevent cybercriminals from accessing taxpayer information and engaging in stolen identity refund fraud?

Answer. I agree that the IRS can be more effective at providing taxpayer service and protecting taxpayer information. Technology should be used to improve the accuracy and security of tax administration. If confirmed, I look forward to working closely with the IRS Commissioner and other Federal officials to achieve this goal.

#### CURRENCY ANALYSIS AND REPORTING BY TREASURY AND THE ROLE OF CONGRESS

*Question.* In order to strengthen the Department of the Treasury’s toolbox for addressing international exchange rate issues, the Congress passed the Trade Facilitation and Trade Enforcement Act—also known as the Customs bill—last year.

This Act expanded the Department’s currency analysis and reporting requirements; created a bipartisan advisory committee on international exchange rate policies; and requires enhanced engagement with and, when appropriate, remedial actions against countries of chief concern.

Do you agree that in order to address international exchange rate concerns successfully, the Congress and the administration must work together and within the frameworks of the existing tools that have been authorized?

Answer. I agree that it is important for Congress and the administration to work together, utilizing the tools that are authorized by law.

#### RED TAPE

*Question.* Our current system of regulation and endless red tape has placed many American businesses in a stranglehold, struggling to keep the lights on. Even public investment in infrastructure, as the Obama administration found when it was seeking “shovel ready” projects but struggled to find them, faces regulatory and permitting obstacles that simply don’t make sense.

Writing on a need for infrastructure investment in the country, for example, liberal economist and advisor to Democratic administrations Larry Summers recently asked the following question: “How, we ask, could our society have regressed to the point where a bridge that could be built in less than a year one century ago takes five times as long to repair today?” He also wrote that: “Progressive advocates of

more investment should compromise with conservative sceptics and, in the context of increased spending, accept regulatory streamlining, as well as requirements that projects undergo cost-benefit analysis.”

As the principal economic advisor to the President, how would you ensure our businesses and those in charge of public infrastructure projects are given the opportunity not just to survive, but to prosper and therefore contribute to our economic growth?

Answer. Mr. Chairman, I concur with your observations concerning the need for government to operate more efficiently to serve the public needs. In areas such as our infrastructure plans, implementing viable programs that can be managed effectively but without excessive regulation and bureaucracy is critical.

#### PASS-THROUGH VS. INDIVIDUAL RATES

*Question.* President Trump campaigned on lowering both the corporate income tax rate and the rate imposed on pass-through business income to 15 percent. Some concerns have been raised about “gaming the system” by high-income individuals to classify income that otherwise would be subject to individual income tax rates as pass-through business income subject to the lower 15 percent rate. What are your thoughts on this issue and the concern raised, and do you believe there are ways to address such concerns while maintaining the lower tax rate for pass-through business income?

Answer. We will work with Congress to make sure that the language prevents high income individuals from gaming the system and using pass-throughs. While at the same time we will work with Congress to make sure that pass-throughs have the benefit of the business tax.

#### CURRENCY AND INTERNATIONAL FORUMS

*Question.* I certainly understand concerns regarding international exchange rate policies. However, I believe that it will be more effective to address these issues through multilateral and long-term solutions than through unilateral and short-term actions.

As such, I have long supported the Department of the Treasury’s efforts, under both Republican and Democratic administrations, to address these issues at the International Monetary Fund, the G20, and the G7, and through discussions with countries of chief concern.

Do you agree that the Department should continue to work within these and other forums to seek multilateral and long-term solutions to these concerns?

Answer. I fully support the objective of taking effective actions, consistent with our international obligations, to provide a level playing field for American workers and firms. We will address the issue of currency manipulation as an unfair trade practice and will work with the International Monetary Fund, the G7, the G20, and with major trading partners.

#### INTELLECTUAL PROPERTY RIGHTS IN TRADE

*Question.* About a year ago, President Obama signed the Trade Facilitation and Trade Enforcement Act of 2015 (Pub. L. 114–125), commonly referred to as the Customs bill, into law. The Customs bill originated out of this committee and contained many important provisions regarding the enforcement of intellectual property rights. Some of these statutes require U.S. Customs and Border Protection (CBP) to promulgate regulations. As the Secretary of the Treasury, you will have the signing authority over these regulations.

Do I have your commitment to ensure that these regulations adhere to Congress’s intent?

Answer. If confirmed, I intend to fully implement the regulations, consistent with its congressional intent.

#### ESTATE TAX

*Question.* President Trump has called for the repeal of the estate tax and for capital gains held until death to be taxable, with the first \$10 million tax free. How do you respond to those who argue that not only should the estate tax *not* be repealed, but in fact it should be expanded through a higher tax rate and lower exemption amounts?

Answer. The administration's goal in eliminating the estate tax is to protect small and medium-sized businesses and family farms. We look forward to working with Congress on this issue as part of overall tax reform.

## FSOC

*Question.* The so-called "Dodd Frank" Act established a Financial Stability Oversight Council—called the FSOC (FSOC).

One notion behind the FSOC was to have regulators talk to each other. Prior to the financial crisis, financial regulators operated in silos and failed miserably in their oversight and regulation of the financial system.

Beyond that, the FSOC was set up with noble goals, such as ending too big to fail and responding to emerging threats to "financial stability," even though the FSOC has no meaningful measure of stability.

Unfortunately, the FSOC has been run under the Obama administration as an opaque roving regulator. Moreover, by its very construction, it is unlikely that the FSOC would ever identify or respond in any meaningful way if monetary or fiscal policy turned out to threaten financial stability.

Indeed, during the debt-limit standoff in 2011, the FSOC failed the U.S. people by withholding information from Congress.

You will, if confirmed, chair the FSOC.

If you become chairman, would you continue the FSOC's existing practices of essentially acting as an opaque roving regulator?

Answer. I very much look forward to serving as Chair of the FSOC and working with its group of leaders of important and largely independent regulatory bodies. Having a common forum for key financial regulators to meet, share information and address financial sector industry issues is inherently valuable. If confirmed, I will not continue, as you suggest, the FSOC's existing practice of acting as an opaque regulator.

## TREASURY COMPLIANCE WITH ADMINISTRATIVE LAW

*Question.* There has been an unfortunate trend in recent decades suggesting that tax regulations are somehow not subject to the normal requirements of administrative law.

That trend has suggested that somehow tax regulations and other rules promulgated by the IRS are not subject to the same notice and comment period as other regulations by other Federal agencies, that they are not subject to the same cost-benefit analysis as other Federal regulations, that they are not subject to the same OMB Office of Regulatory Affairs Analysis as other Federal regulations, and that they are not subject to the same Congressional Review Act requirements as other Federal agencies.

The Supreme Court, in its 2011 *Mayo* decision, and the Tax Court, in its 2015 *Altera* decision, instructed the IRS that the IRS is not exempt from administrative law requirements. The IRS is subject to the same administrative law requirements as any other Federal agency.

Can you assure me that you will make sure that IRS regulations, rules, and guidance comply with administrative law requirements?

Answer. If confirmed, I will ensure that the Treasury follows the requirements of administrative law, where applicable.

## TRANSPARENCY AND DEBT LIMIT

*Question.* The statutory Federal debt limit has been suspended until March of this year. Once we near the debt limit, Treasury has some mechanisms it can use, called "extraordinary measures" even though they have become fairly ordinary, to extend the time it takes to hit the debt limit beyond March. After the extraordinary measures are used up, either the limit is raised or the U.S. would default on some obligations.

During a debt-limit impasse in 2011, Treasury and the Federal Reserve formed contingency plans that included prioritization of payments in the event that Treasury exhausted its borrowing authority. Since July of 2011, I repeatedly asked Treasury and Federal Reserve officials for their plans, only to be told that there were no plans, or that Treasury and the Fed had ideas, but not really plans. Recently, how-

ever, transcripts from a special meeting of the Fed's Federal Open Market Committee revealed clearly that the plans I have been requesting were, in fact, formulated. That, of course, means that the Fed and Treasury officials in the Obama administration withheld information from Congress and the American people about the Nation's finances.

If asked by any member of Congress about any plans formulated by the Federal Government to handle our Nation's finances, do you pledge to be responsive to Congress and the American people and not withhold information?

Answer. As I have stated, and as has been the position of all prior Secretaries of the Treasury, honoring the full faith and credit of our outstanding debt is a critical commitment.

I will work with your office to review the manner of transparency provided by the Department surrounding this topic, including the implications of invoking extraordinary measures.

#### TREASURY OFFICE OF STATE AND LOCAL FINANCE

*Question.* In April of 2014, Treasury established, without notification or discussion with the then-ranking member of the Senate Finance Committee which has the responsibility of oversight of Treasury, a new Office of State and Local Finance. That Office has engaged many of its activities in recent years to lobbying Congress for bankruptcy authority for Puerto Rico, including what in my view has been highly politicized rhetoric concerning "austerity" versus creditor "haircuts," where many creditors happen to be innocent residents of Puerto Rico who purchased bonds issued by numerous component units of the Puerto Rico Government.

That Office was also provided with authority to provide "technical assistance" to Puerto Rico, and has recently tried to expand that authority, through requests to congressional appropriators, to include authority for Treasury to provide technical assistance also to States or municipalities. One risk of such an extension would be perceptions that could be created that somehow Treasury's Office of State and Local Finance would be the touchpoint in the Federal Government for a teetering State or locality to lobby for a federally backed bailout. The risk is especially pronounced given that the Office of State and Local Finance at Treasury has not been responsive to my staff's repeated requests for briefings to provide transparency with respect to whatever have been the Office's "technical assistance" efforts in Puerto Rico and why at least one Treasury official has signed confidentiality agreements with component units of the Puerto Rico Government, including a bond-issuing unit. Numerous troubling press reports suggest that Treasury officials have engaged in activities that may be more political than what Congress would reasonably expect to be "technical" assistance.

Will you review the Office of State and Local Finance to determine whether it is necessary for Treasury to have such an office?

Answer. I will be pleased to look into the Office of State and Local Finance and evaluate both its focus and effectiveness as you suggest.

*Question.* Will you ensure that Treasury officials provide my staff with a briefing, with verifiable data on technical-assistance activities, on technical assistance that Treasury has performed for Puerto Rico?

Answer. PROMESA was an important bipartisan piece of legislation to provide for both short and long term solutions to the financial struggles of Puerto Rico. As you know, since it has been enacted, an independent board has been appointed to review and validate the feasibility of finance plans of the Government of Puerto Rico. I will provide your staff with a briefing as you've requested.

#### TREASURY COMMITMENTS IN INTERNATIONAL FORUMS

*Question.* Treasury officials frequently meet in international forums, such as the G7, G20, IMF, OECD, Financial Stability Board (FSB), and multilateral development banks. Of course, it is important that the United States provide economic and financial leadership and engagement internationally. It is also important, I believe, for the United States to stand against unelected international bureaucracies that promote policies to enlarge and enhance their organizations or promote policies that do not promote the well-being of U.S. workers and taxpayers.

The Obama administration, including the Treasury Secretary, engaged in international "agreements," at times with no substantive discussion with me as I served as either ranking member or chairman of the Finance Committee with responsibil-



ities for oversight of Treasury activities. For example, the Obama administration committed the United States to participate in a “New Arrangements to Borrow” at the IMF. That “new arrangement,” which was agreed upon by unelected representative of G20 countries, increased resources available to the IMF by up to \$500 billion, thereby tripling total pre-crisis lending or bailout resources of the IMF. The “arrangement,” promoted by Obama administration officials, including Treasury officials, without input from many of us in Congress, was subsequently presented to Congress as some sort of international “commitment,” even though I had committed to nothing.

The IMF, subsequent to the initial commitments by unelected G20 officials, notably broke its own rules to bail out Greece, even when the IMF was aware of the possibility that Greece would then require yet more bailouts—that is, that the IMF was making a bad loan, part of which comes from resources provided by U.S. taxpayers. U.S. representatives at the IMF in the Obama administration did not block the rule breaking.

Do I have your commitment that you will closely examine the extent to which U.S. resources placed in international institutions such as the IMF, OECD, and elsewhere are serving the best interests of U.S. workers and taxpayers?

Answer. The administration will ensure that U.S. resources placed in international institutions such as the IMF and multilateral development banks are used to promote policies consistent with the objectives of the United States to the greatest extent possible.

#### RETIREMENT SAVINGS

*Question.* Treasury officials, acting on an executive order from President Obama, created a scheme called myRA for people who don’t have access to employer-sponsored retirement savings plans. It is my understanding that the scheme has received relatively few savers. The scheme was established by the Obama administration in lieu of working with Congress to help Americans save for retirement. That was unfortunate, in my view, since I have solid proposals with bipartisan backing to do just that.

In establishing the myRA scheme, Treasury officials used a permanent, indefinite appropriation to the Treasury that Congress provided to provide administrative ease for ordinary, but variable, costs that the government would incur for things like tax collection. Specifically, the appropriation for “financial agents” allows Treasury to hire private-sector firms to provide services on behalf of the Treasury. It is my federally sponsored saving scheme.

In addition to a permanent, indefinite appropriation for Treasury to retain financial agents, Treasury has a permanent, indefinite appropriation to retain “fiscal agents,” with the Federal Reserve (Fed) being a principal example. Through this appropriation, certain services—such as assistance in aggregating tax receipts and processing payments—provided by the Fed are paid for by Treasury. The Obama administration may have misused funds from the permanent, indefinite appropriation for fiscal agents by compensating the Federal Reserve to advertise that myRA scheme that the administration unilaterally decided upon. I write the word “may,” because, while I have asked for copies of fiscal agency agreements between the Treasury and Fed, thus far, neither the Treasury nor the Fed has been willing to provide them.

Will you commit to examining the myRA savings scheme that was unilaterally established by the Obama administration, to determine whether it is an efficient use of taxpayer resources and whether it helps American workers to save?

Answer. Yes, I look forward to working with your office and reviewing the myRA savings scheme.

*Question.* Will you commit to providing copies of fiscal agency agreements between Treasury and the Federal Reserve?

Answer. If confirmed, I will provide you and your staff copies of such agreements.

#### DEBT CONTINGENCY PLANS

*Question.* Since July of 2011, I have asked Treasury officials in the Obama administration and Chairs Bernanke and Yellen of the Federal Reserve Board for copies of contingency plans that Treasury and the Fed constructed during the debt-limit impasse of 2011 to prioritize Federal payments in the event that Treasury ran out

of an ability to borrow because of the statutory debt limit and had insufficient cash to service all incoming due obligations.

Despite my repeated request for the contingency plans to prioritize payments developed by Treasury officials in the Obama administration and officials at the Federal Reserve, and my oversight responsibilities with respect to Treasury and U.S. debt obligations, I have not received copies of the plans or briefings on the plans. At times, those officials denied that there were contingency plans, or obfuscated on the meaning of the word “plan,” at the expense of necessary transparency in government. Upon the Federal Reserve’s release, more than 5 years after the fact, of transcripts of a special conference-call meeting on contingency plans held by the Fed’s Federal Open Market Committee, it is readily apparent that detailed contingency plans that I have been asking for since July of 2011 were in fact developed. To date, I have not seen or been briefed on the plans.

That is, Treasury officials in the Obama administration and officials at the Federal Reserve have withheld information from Congress that I have been requesting from as far back as July of 2011. In addition and as testimony to the opaque nature of the Financial Stability Oversight Council (FSOC), I will note that I had asked every voting member of the FSOC in 2011 for information they may have had with respect to the prioritization contingency plans developed by Treasury officials in the Obama administration and by officials at the Federal Reserve. I have yet to receive the plans or a briefing on the plans.

Will you commit to working with my staff to uncover those plans?

Answer. I understand your question and concern and would be pleased to review this matter with you.

*Question.* Mr. Mnuchin, several of my Democratic colleagues described repeal of the Affordable Care Act or ObamaCare as a tax increase on middle- and lower-income taxpayers. I attach a distribution analysis from the Joint Committee on Taxation, Congress’ non-partisan tax legislation scorekeeper, dated May 4, 2010. I ask you to review the tables.

**Distributional Effects of a Proposal to Increase the Hospital Insurance (HI) Tax on Certain High-Income Individuals and Impose a Medicare Tax on Certain Unearned Income as Included in H.R. 4872, the “Reconciliation Act of 2010,” as Passed by the House in Combination With H.R. 3590, the “Patient Protection and Affordable Care Act (PPACA),” as Enacted<sup>1</sup>**

Calendar Year 2015

INCOME CATEGORY <sup>2</sup>	CHANGE IN FEDERAL TAXES <sup>3</sup>		FEDERAL TAXES <sup>3</sup> UNDER PRESENT LAW		FEDERAL TAXES <sup>3</sup> UNDER PROPOSAL		AVERAGE TAX RATE <sup>4</sup>	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000 .....	\$1	6	\$10	0.4%	\$10	0.3%	7.6%	7.6%
\$10,000 to \$20,000 .....	\$1	6	\$18	0.6%	\$18	0.6%	4.8%	4.8%
\$20,000 to \$30,000 .....	\$2	6	\$48	1.7%	\$48	1.7%	10.3%	10.3%
\$30,000 to \$40,000 .....	\$2	6	\$81	2.9%	\$81	2.8%	13.8%	13.8%
\$40,000 to \$50,000 .....	\$1	6	\$103	3.6%	\$103	3.6%	14.5%	14.5%
\$50,000 to \$75,000 .....	\$13	6	\$299	10.5%	\$299	10.4%	16.2%	16.2%
\$75,000 to \$100,000 .....	\$11	6	\$318	11.2%	\$318	11.1%	18.1%	18.1%
\$100,000 to \$200,000 .....	\$163	6	\$812	28.6%	\$812	28.3%	22.5%	22.5%
\$200,000 to \$500,000 .....	\$6,230	1.3%	\$484	17.0%	\$490	17.1%	27.4%	27.9%
\$500,000 to \$1,000,000 .....	\$5,745	3.1%	\$186	6.6%	\$192	6.7%	29.8%	31.0%
\$1,000,000 and over .....	\$17,975	3.7%	\$479	16.9%	\$497	17.3%	29.8%	31.7%
<b>Total, All Taxpayers .....</b>	<b>\$30,145</b>	<b>1.1%</b>	<b>\$2,838</b>	<b>100.0%</b>	<b>\$2,868</b>	<b>100.0%</b>	<b>21.1%</b>	<b>21.4%</b>

Source: Joint Committee on Taxation.

Detail may not add to total due to rounding.

<sup>1</sup>The proposal would increase the HI tax by 0.9 percentage points on earnings in excess of \$200,000 (\$250,000 for married taxpayers filing a joint return). Also, the proposal would impose a 3.8% tax on the investment income of taxpayers with AGI in excess of \$200,000 (\$250,000). The income thresholds are not indexed for inflation. The analysis is relative to present law before the enactment of PPACA.

<sup>2</sup>The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, and (8) excluded income of U.S. citizens living abroad. Categories are measured at 2009 levels.

<sup>3</sup>Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.

<sup>4</sup>The average tax rate is equal to Federal taxes described in footnote 3 divided by income described in footnote 2.

<sup>5</sup>Less than \$500,000.

<sup>6</sup>Less than 0.05%.

**Distributional Effects of a Proposal to Increase the Hospital Insurance (HI) Tax on Certain High-Income Individuals and Impose a Medicare Tax on Certain Unearned Income as Included in H.R. 4872, the "Reconciliation Act of 2010," as Passed by the House in Combination With H.R. 3590, the "Patient Protection and Affordable Care Act (PPACA)," as Enacted<sup>1</sup>**

Calendar Year 2017

INCOME CATEGORY <sup>2</sup>	CHANGE IN FEDERAL TAXES <sup>3</sup>		FEDERAL TAXES <sup>3</sup> UNDER PRESENT LAW		FEDERAL TAXES <sup>3</sup> UNDER PROPOSAL		AVERAGE TAX RATE <sup>4</sup>	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000 .....	5	6	\$10	0.3%	\$10	0.3%	7.3%	7.3%
\$10,000 to \$20,000 .....	\$1	6	\$19	0.6%	\$19	0.6%	4.8%	4.8%
\$20,000 to \$30,000 .....	5	6	\$52	1.7%	\$52	1.7%	10.4%	10.4%
\$30,000 to \$40,000 .....	\$4	6	\$88	2.8%	\$88	2.8%	13.9%	13.9%
\$40,000 to \$50,000 .....	5	6	\$111	3.6%	\$111	3.5%	14.5%	14.5%
\$50,000 to \$75,000 .....	\$15	6	\$325	10.5%	\$325	10.3%	16.2%	16.2%
\$75,000 to \$100,000 .....	\$12	6	\$346	11.1%	\$346	11.0%	18.0%	18.0%
\$100,000 to \$200,000 .....	\$403	6	\$887	28.5%	\$888	28.2%	22.6%	22.6%
\$200,000 to \$500,000 .....	\$7,492	1.4%	\$535	17.2%	\$543	17.3%	27.7%	28.2%
\$500,000 to \$1,000,000 .....	\$6,346	3.1%	\$205	6.6%	\$211	6.7%	29.9%	31.2%
\$1,000,000 and over .....	\$19,951	3.8%	\$531	17.1%	\$551	17.5%	29.8%	31.7%
<b>Total, All Taxpayers .....</b>	<b>\$34,224</b>	<b>1.1%</b>	<b>\$3,109</b>	<b>100.0%</b>	<b>\$3,144</b>	<b>100.0%</b>	<b>21.2%</b>	<b>21.5%</b>

Source: Joint Committee on Taxation.

Detail may not add to total due to rounding.

<sup>1</sup>The proposal would increase the HI tax by 0.9 percentage points on earnings in excess of \$200,000 (\$250,000 for married taxpayers filing a joint return). Also, the proposal would impose a 3.8% tax on the investment income of taxpayers with AGI in excess of \$200,000 (\$250,000). The income thresholds are not indexed for inflation. The analysis is relative to present law before the enactment of PPACA.

<sup>2</sup>The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, and (8) excluded income of U.S. citizens living abroad. Categories are measured at 2009 levels.

<sup>3</sup>Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.

<sup>4</sup>The average tax rate is equal to Federal taxes described in footnote 3 divided by income described in footnote 2.

<sup>5</sup>Less than \$500,000.

<sup>6</sup>Less than 0.05%.

**Distributional Effects of a Proposal to Increase the Hospital Insurance (HI) Tax on Certain High-Income Individuals and Impose a Medicare Tax on Certain Unearned Income as Included in H.R. 4872, the "Reconciliation Act of 2010," as Passed by the House in Combination With H.R. 3590, the "Patient Protection and Affordable Care Act (PPACA)," as Enacted<sup>1</sup>**

Calendar Year 2019

INCOME CATEGORY <sup>2</sup>	CHANGE IN FEDERAL TAXES <sup>3</sup>		FEDERAL TAXES <sup>3</sup> UNDER PRESENT LAW		FEDERAL TAXES <sup>3</sup> UNDER PROPOSAL		AVERAGE TAX RATE <sup>4</sup>	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000 .....	5	6	\$11	0.3%	\$11	0.3%	7.0%	7.0%
\$10,000 to \$20,000 .....	\$1	6	\$21	0.6%	\$21	0.6%	4.8%	4.8%
\$20,000 to \$30,000 .....	5	6	\$57	1.7%	\$57	1.7%	10.4%	10.4%

**Distributional Effects of a Proposal to Increase the Hospital Insurance (HI) Tax on Certain High-Income Individuals and Impose a Medicare Tax on Certain Unearned Income as Included in H.R. 4872, the “Reconciliation Act of 2010,” as Passed by the House in Combination With H.R. 3590, the “Patient Protection and Affordable Care Act (PPACA),” as Enacted<sup>1</sup>—Continued**

Calendar Year 2019

INCOME CATEGORY <sup>2</sup>	CHANGE IN FEDERAL TAXES <sup>3</sup>		FEDERAL TAXES <sup>3</sup> UNDER PRESENT LAW		FEDERAL TAXES <sup>3</sup> UNDER PROPOSAL		AVERAGE TAX RATE <sup>4</sup>	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
\$30,000 to \$40,000 .....	\$4	<sup>6</sup>	\$95	2.8%	\$95	2.8%	14.0%	14.0%
\$40,000 to \$50,000 .....	\$2	<sup>6</sup>	\$120	3.5%	\$120	3.5%	14.5%	14.5%
\$50,000 to \$75,000 .....	\$15	<sup>6</sup>	\$352	10.4%	\$352	10.3%	16.1%	16.1%
\$75,000 to \$100,000 .....	\$18	<sup>6</sup>	\$377	11.1%	\$377	11.0%	17.9%	17.9%
\$100,000 to \$200,000 .....	\$424	<sup>6</sup>	\$966	28.5%	\$966	28.2%	22.6%	22.6%
\$200,000 to \$500,000 .....	\$8,623	1.5%	\$589	17.3%	\$597	17.4%	27.9%	28.5%
\$500,000 to \$1,000,000 .....	\$6,824	3.0%	\$224	6.6%	\$231	6.7%	30.0%	31.2%
\$1,000,000 and over .....	\$21,695	3.7%	\$583	17.2%	\$604	17.6%	29.8%	31.8%
<b>Total, All Taxpayers .....</b>	<b>\$37,606</b>	<b>1.1%</b>	<b>\$3,393</b>	<b>100.0%</b>	<b>\$3,431</b>	<b>100.0%</b>	<b>21.2%</b>	<b>21.5%</b>

Source: Joint Committee on Taxation.

Detail may not add to total due to rounding.

<sup>1</sup>The proposal would increase the HI tax by 0.9 percentage points on earnings in excess of \$200,000 (\$250,000 for married taxpayers filing a joint return). Also, the proposal would impose a 3.8% tax on the investment income of taxpayers with AGI in excess of \$200,000 (\$250,000). The income thresholds are not indexed for inflation. The analysis is relative to present law before the enactment of PPACA.

<sup>2</sup>The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, and (8) excluded income of U.S. citizens living abroad. Categories are measured at 2009 levels.

<sup>3</sup>Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.

<sup>4</sup>The average tax rate is equal to Federal taxes described in footnote 3 divided by income described in footnote 2.

<sup>5</sup>Less than \$500,000.

<sup>6</sup>Less than 0.05%.

**Distributional Effects of a Proposal to Provide Exchange Plan Credits and Subsidies to Certain Low-Income Taxpayers as Included in H.R. 4872, the “Reconciliation Act of 2010,” as Passed by the House in Combination With H.R. 3590, the “Patient Protection and Affordable Care Act (PPACA),” as Passed by the Senate<sup>1</sup>**

Calendar Year 2017

INCOME CATEGORY <sup>2</sup>	CHANGE IN FEDERAL TAXES <sup>3</sup>		FEDERAL TAXES <sup>3</sup> UNDER PRESENT LAW		FEDERAL TAXES <sup>3</sup> UNDER PROPOSAL		AVERAGE TAX RATE <sup>4</sup>	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000 .....	-\$455	-4.4%	\$10	0.3%	\$10	0.3%	7.3%	6.9%
\$10,000 to \$20,000 .....	-\$6,214	-32.6%	\$19	0.6%	\$13	0.4%	4.8%	3.2%
\$20,000 to \$30,000 .....	-\$20,359	-39.0%	\$52	1.7%	\$32	1.1%	10.4%	6.3%
\$30,000 to \$40,000 .....	-\$22,648	-25.8%	\$88	2.8%	\$65	2.2%	13.9%	10.3%
\$40,000 to \$50,000 .....	-\$17,380	-15.7%	\$111	3.6%	\$94	3.1%	14.5%	12.2%
\$50,000 to \$75,000 .....	-\$23,760	-7.3%	\$325	10.5%	\$301	10.0%	16.2%	15.0%
\$75,000 to \$100,000 .....	-\$6,865	-2.0%	\$346	11.1%	\$339	11.3%	18.0%	17.6%
\$100,000 to \$200,000 .....	-\$1,173	-0.1%	\$887	28.5%	\$886	29.4%	22.6%	22.6%
\$200,000 to \$500,000 .....	<sup>5</sup>	<sup>6</sup>	\$535	17.2%	\$535	17.8%	27.7%	27.7%
\$500,000 to \$1,000,000 .....	<sup>5</sup>	<sup>6</sup>	\$205	6.6%	\$205	6.8%	29.9%	29.9%
\$1,000,000 and over .....	<sup>5</sup>	<sup>6</sup>	\$531	17.1%	\$531	17.6%	29.8%	29.8%
<b>Total, All Taxpayers ..</b>	<b>-\$98,853</b>	<b>-3.2%</b>	<b>\$3,109</b>	<b>100.0%</b>	<b>\$3,011</b>	<b>100.0%</b>	<b>21.2%</b>	<b>20.5%</b>

Source: Joint Committee on Taxation.

Detail may not add to total due to rounding.

<sup>1</sup>The proposal would provide that refundable tax credits would be provided to taxpayers who enroll in exchange plans with income between 100 percent and 400 percent of FPL. The proposal provides for outlays in the form of cost-sharing subsidies for out-of-pocket medical expenses for exchange participants between 100% and 250% of FPL. The analysis is a stand-alone estimate of the effects of the subsidies and credits and does not include interaction with other parts of the broader package. The analysis is relative to present law before the enactment of PPACA.

<sup>2</sup>The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, and (8) excluded income of U.S. citizens living abroad. Categories are measured at 2009 levels.

<sup>3</sup>Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.

<sup>4</sup>The average tax rate is equal to Federal taxes described in footnote 3 divided by income described in footnote 2.

<sup>5</sup>Less than \$500,000.

<sup>6</sup>Less than 0.05%.

**Distributional Effects of a Proposal to Provide Exchange Plan Credits and Subsidies to Certain Low-Income Taxpayers as Included in H.R. 4872, the "Reconciliation Act of 2010," as Passed by the House in Combination With H.R. 3590, the "Patient Protection and Affordable Care Act (PPACA)," as Passed by the Senate<sup>1</sup>**

Calendar Year 2019

INCOME CATEGORY <sup>2</sup>	CHANGE IN FEDERAL TAXES <sup>3</sup>		FEDERAL TAXES <sup>3</sup> UNDER PRESENT LAW		FEDERAL TAXES <sup>3</sup> UNDER PROPOSAL		AVERAGE TAX RATE <sup>4</sup>	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000 .....	-\$575	-5.4%	\$11	0.3%	\$10	0.3%	7.0%	6.6%
\$10,000 to \$20,000 .....	-\$7,699	-37.3%	\$21	0.6%	\$13	0.4%	4.8%	3.0%
\$20,000 to \$30,000 .....	-\$23,750	-41.8%	\$57	1.7%	\$33	1.0%	10.4%	6.1%
\$30,000 to \$40,000 .....	-\$26,173	-27.6%	\$95	2.8%	\$69	2.1%	14.0%	10.1%
\$40,000 to \$50,000 .....	-\$19,981	-16.7%	\$120	3.5%	\$100	3.0%	14.5%	12.1%
\$50,000 to \$75,000 .....	-\$27,098	-7.7%	\$352	10.4%	\$325	9.9%	16.1%	14.9%
\$75,000 to \$100,000 .....	-\$7,617	-2.0%	\$377	11.1%	\$370	11.3%	17.9%	17.5%
\$100,000 to \$200,000 .....	-\$1,059	-0.1%	\$966	28.5%	\$965	29.4%	22.6%	22.6%
\$200,000 to \$500,000 .....	5	6	\$589	17.3%	\$589	18.0%	27.9%	27.9%
\$500,000 to \$1,000,000 .....	5	6	\$224	6.6%	\$224	6.8%	30.0%	30.0%
\$1,000,000 and over .....	5	6	\$583	17.2%	\$583	17.8%	29.8%	29.8%
<b>Total, All Taxpayers .....</b>	<b>-\$113,952</b>	<b>-3.4%</b>	<b>\$3,393</b>	<b>100.0%</b>	<b>\$3,279</b>	<b>100.0%</b>	<b>21.2%</b>	<b>20.5%</b>

Source: Joint Committee on Taxation.

Detail may not add to total due to rounding.

<sup>1</sup>The proposal would provide that refundable tax credits would be provided to taxpayers who enroll in exchange plans with income between 100 percent and 400 percent of FPL. The proposal provides for outlays in the form of cost-sharing subsidies for out-of-pocket medical expenses for exchange participants between 100% and 250% of FPL. The analysis is a stand-alone estimate of the effects of the subsidies and credits and does not include interaction with other parts of the broader package. The analysis is relative to present law before the enactment of PPACA.

<sup>2</sup>The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, and (8) excluded income of U.S. citizens living abroad. Categories are measured at 2009 levels.

<sup>3</sup>Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.

<sup>4</sup>The average tax rate is equal to Federal taxes described in footnote 3 divided by income described in footnote 2.

<sup>5</sup>Less than \$500,000.

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**Distributional Effects of a Proposal to Provide Exchange Plan Credits and Subsidies to Certain Low-Income Taxpayers as Included in H.R. 4872, the “Reconciliation Act of 2010,” as Passed by the House in Combination With H.R. 3590, the “Patient Protection and Affordable Care Act (PPACA),” as Passed by the Senate<sup>1</sup>**

(Returns in thousands; dollars in millions)  
Calendar Year 2017

INCOME CATEGORY <sup>2</sup>	CHANGE IN FEDERAL TAXES <sup>3</sup>							
	All Returns		Single Filers		Joint Filers		Head of Household	
	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars
Less than \$10,000 .....	85	-\$455	72	-\$343	2	-\$11	11	-\$101
\$10,000 to \$20,000 .....	925	-\$6,214	674	-\$3,854	55	-\$467	196	-\$1,893
\$20,000 to \$30,000 .....	3,001	-\$20,359	1,370	-\$6,424	236	-\$3,332	1,396	-\$10,603
\$30,000 to \$40,000 .....	3,131	-\$22,648	1,224	-\$4,344	450	-\$6,500	1,457	-\$11,804
\$40,000 to \$50,000 .....	1,991	-\$17,380	534	-\$1,998	461	-\$6,397	996	-\$8,985
\$50,000 to \$75,000 .....	2,188	-\$23,760	109	-\$386	1,068	-\$14,023	1,010	-\$9,351
\$75,000 to \$100,000 .....	638	-\$6,865	4	-\$1	555	-\$6,186	83	-\$678
\$100,000 to \$200,000 .....	133	-\$1,173	4	-\$2	130	-\$1,138	3	-\$33
\$200,000 to \$500,000 .....	4	5	4	5	4	5	4	5
\$500,000 to \$1,000,000 .....	4	5	4	5	4	5	4	5
\$1,000,000 and over .....	4	5	4	5	4	5	4	5
<b>Total, All Taxpayers</b>	<b>12,092</b>	<b>-\$98,853</b>	<b>3,983</b>	<b>-\$17,351</b>	<b>2,957</b>	<b>-\$38,054</b>	<b>5,152</b>	<b>-\$43,448</b>

Source: Joint Committee on Taxation.  
Detail may not add to total due to rounding.

<sup>1</sup>The proposal would provide that refundable tax credits would be provided to taxpayers who enroll in exchange plans with income between 100 percent and 400 percent of FPL. The proposal provides for outlays in the form of cost-sharing subsidies for out-of-pocket medical expenses for exchange participants between 100% and 250% of FPL. The analysis is a stand-alone estimate of the effects of the subsidies and credits and does not include interaction with other parts of the broader package. The analysis is relative to present law before the enactment of PPACA.

<sup>2</sup>The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, and (8) excluded income of U.S. citizens living abroad. Categories are measured at 2009 levels.

<sup>3</sup>Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.

<sup>4</sup>The average tax rate is equal to Federal taxes described in footnote 3 divided by income described in footnote 2.

<sup>5</sup>Less than \$500,000.

<sup>6</sup>Less than 0.05%.

**Distributional Effects of a Proposal to Provide Exchange Plan Credits and Subsidies to Certain Low-Income Taxpayers as Included in H.R. 4872, the “Reconciliation Act of 2010,” as Passed by the House in Combination With H.R. 3590, the “Patient Protection and Affordable Care Act (PPACA),” as Passed by the Senate<sup>1</sup>**

(Returns in thousands; dollars in millions)  
Calendar Year 2019

INCOME CATEGORY <sup>2</sup>	CHANGE IN FEDERAL TAXES <sup>3</sup>							
	All Returns		Single Filers		Joint Filers		Head of Household	
	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars
Less than \$10,000 .....	96	-\$575	80	-\$420	2	-\$13	13	-\$142
\$10,000 to \$20,000 .....	1,028	-\$7,699	709	-\$4,503	62	-\$596	257	-\$2,600
\$20,000 to \$30,000 .....	3,163	-\$23,750	1,378	-\$7,065	269	-\$4,210	1,516	-\$12,475
\$30,000 to \$40,000 .....	3,283	-\$26,173	1,224	-\$4,912	539	-\$8,482	1,520	-\$12,779
\$40,000 to \$50,000 .....	2,015	-\$19,981	498	-\$2,087	503	-\$7,661	1,014	-\$10,233
\$50,000 to \$75,000 .....	2,266	-\$27,098	104	-\$402	1,115	-\$16,186	1,047	-\$10,510
\$75,000 to \$100,000 .....	661	-\$7,617	1	-\$1	579	-\$6,962	81	-\$654
\$100,000 to \$200,000 .....	112	-\$1,059	4	-\$2	111	-\$1,052	1	-\$5
\$200,000 to \$500,000 .....	4	5	4	5	4	5	4	5
\$500,000 to \$1,000,000 .....	4	5	4	5	4	5	4	5
\$1,000,000 and over .....	4	5	4	5	4	5	4	5

**Distributional Effects of a Proposal to Provide Exchange Plan Credits and Subsidies to Certain Low-Income Taxpayers as Included in H.R. 4872, the “Reconciliation Act of 2010,” as Passed by the House in Combination With H.R. 3590, the “Patient Protection and Affordable Care Act (PPACA),” as Passed by the Senate<sup>1</sup>—Continued**

(Returns in thousands; dollars in millions)  
Calendar Year 2019

INCOME CATEGORY <sup>2</sup>	CHANGE IN FEDERAL TAXES <sup>3</sup>							
	All Returns		Single Filers		Joint Filers		Head of Household	
	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars
<b>Total, All Taxpayers</b> .....	<b>12,623</b>	<b>–\$113,952</b>	<b>3,994</b>	<b>–\$19,392</b>	<b>3,180</b>	<b>–\$45,162</b>	<b>5,449</b>	<b>–\$49,398</b>

Source: Joint Committee on Taxation.  
Detail may not add to total due to rounding.

<sup>1</sup>The proposal would provide that refundable tax credits would be provided to taxpayers who enroll in exchange plans with income between 100 percent and 400 percent of FPL. The proposal provides for outlays in the form of cost-sharing subsidies for out-of-pocket medical expenses for exchange participants between 100% and 250% of FPL. The analysis is a stand-alone estimate of the effects of the subsidies and credits and does not include interaction with other parts of the broader package. The analysis is relative to present law before the enactment of PPACA.

<sup>2</sup>The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker’s compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, and (8) excluded income of U.S. citizens living abroad. Categories are measured at 2009 levels.

<sup>3</sup>Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.

<sup>4</sup>The average tax rate is equal to Federal taxes described in footnote 3 divided by income described in footnote 2.

<sup>5</sup>Less than \$500,000.

<sup>6</sup>Less than 0.05%.

**Distributional Effects of a Proposal to Increase the Hospital Insurance (HI) Tax on Certain High-Income Individuals and Impose a Medicare Tax on Certain Unearned Income as Included in H.R. 4872, the “Reconciliation Act of 2010,” as Passed by the House in Combination With H.R. 3590, the “Patient Protection and Affordable Care Act (PPACA),” as Enacted<sup>1</sup>**

(Returns in thousands)  
Calendar Year 2015

INCOME CATEGORY <sup>2</sup>	NUMBER OF RETURNS AFFECTED			
	All Returns	Single Filers	Joint Filers	Head of Household
	Returns	Returns	Returns	Returns
Less than \$10,000 .....	3	3	3	3
\$10,000 to \$20,000 .....	3	3	3	3
\$20,000 to \$30,000 .....	1	1	3	3
\$30,000 to \$40,000 .....	1	1	3	3
\$40,000 to \$50,000 .....	3	3	3	3
\$50,000 to \$75,000 .....	4	1	1	1
\$75,000 to \$100,000 .....	4	3	2	3
\$100,000 to \$200,000 .....	250	110	124	16
\$200,000 to \$500,000 .....	3,209	648	2,446	115
\$500,000 to \$1,000,000 .....	825	106	695	24
\$1,000,000 and over .....	457	61	385	10
<b>Total, All Taxpayers</b> .....	<b>4,752</b>	<b>931</b>	<b>3,654</b>	<b>167</b>

Source: Joint Committee on Taxation.  
Detail may not add to total due to rounding.

<sup>1</sup>The proposal would increase the HI tax by 0.9 percentage points on earnings in excess of \$200,000 (\$250,000 for married taxpayers filing a joint return). Also, the proposal would impose a 3.8% tax on the investment income of taxpayers with AGI in excess of \$200,000 (\$250,000). The income thresholds are not indexed for inflation. The analysis is relative to present law before the enactment of PPACA.

<sup>2</sup>The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker’s compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, and (8) excluded income of U.S. citizens living abroad. Categories are measured at 2009 levels.

<sup>3</sup>Less than 500.

**Distributional Effects of a Proposal to Increase the Hospital Insurance (HI) Tax on Certain High-Income Individuals and Impose a Medicare Tax on Certain Unearned Income as Included in H.R. 4872, the “Reconciliation Act of 2010,” as Passed by the House in Combination With H.R. 3590, the “Patient Protection and Affordable Care Act (PPACA),” as Enacted<sup>1</sup>**

(Returns in thousands)  
Calendar Year 2017

INCOME CATEGORY <sup>1</sup>	NUMBER OF RETURNS AFFECTED			
	All Returns	Single Filers	Joint Filers	Head of Household
	Returns	Returns	Returns	Returns
Less than \$10,000 .....	3	3	3	3
\$10,000 to \$20,000 .....	3	3	3	3
\$20,000 to \$30,000 .....	3	3	3	3
\$30,000 to \$40,000 .....	2	2	3	3
\$40,000 to \$50,000 .....	3	3	3	3
\$50,000 to \$75,000 .....	4	2	1	1
\$75,000 to \$100,000 .....	4	2	2	3
\$100,000 to \$200,000 .....	428	228	168	32
\$200,000 to \$500,000 .....	3,718	681	2,914	123
\$500,000 to \$1,000,000 .....	853	110	718	25
\$1,000,000 and over .....	476	64	401	11
<b>Total, All Taxpayers .....</b>	<b>5,485</b>	<b>1,089</b>	<b>4,204</b>	<b>192</b>

Source: Joint Committee on Taxation.  
Detail may not add to total due to rounding.

<sup>1</sup>The proposal would increase the HI tax by 0.9 percentage points on earnings in excess of \$200,000 (\$250,000 for married taxpayers filing a joint return). Also, the proposal would impose a 3.8% tax on the investment income of taxpayers with AGI in excess of \$200,000 (\$250,000). The income thresholds are not indexed for inflation. The analysis is relative to present law before the enactment of PPACA.

<sup>2</sup>The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, and (8) excluded income of U.S. citizens living abroad. Categories are measured at 2009 levels.

<sup>3</sup>Less than 500.

**Distributional Effects of a Proposal to Increase the Hospital Insurance (HI) Tax on Certain High-Income Individuals and Impose a Medicare Tax on Certain Unearned Income as Included in H.R. 4872, the “Reconciliation Act of 2010” as Passed by the House in Combination With H.R. 3590, the “Patient Protection and Affordable Care Act (PPACA),” as Enacted<sup>1</sup>**

(Returns in thousands)  
Calendar Year 2019

INCOME CATEGORY <sup>1</sup>	NUMBER OF RETURNS AFFECTED			
	All Returns	Single Filers	Joint Filers	Head of Household
	Returns	Returns	Returns	Returns
Less than \$10,000 .....	3	3	3	3
\$10,000 to \$20,000 .....	3	3	3	3
\$20,000 to \$30,000 .....	3	3	3	3
\$30,000 to \$40,000 .....	1	1	3	3
\$40,000 to \$50,000 .....	1	1	3	3
\$50,000 to \$75,000 .....	4	2	1	1
\$75,000 to \$100,000 .....	7	3	5	3
\$100,000 to \$200,000 .....	627	355	209	63
\$200,000 to \$500,000 .....	4,282	712	3,441	129
\$500,000 to \$1,000,000 .....	881	114	741	26
\$1,000,000 and over .....	492	67	413	11
<b>Total, All Taxpayers .....</b>	<b>6,295</b>	<b>1,254</b>	<b>4,810</b>	<b>231</b>

Source: Joint Committee on Taxation.  
Detail may not add to total due to rounding.



<sup>1</sup>The proposal would increase the HI tax by 0.9 percentage points on earnings in excess of \$200,000 (\$250,000 for married taxpayers filing a joint return). Also, the proposal would impose a 3.8% tax on the investment income of taxpayers with AGI in excess of \$200,000 (\$250,000). The income thresholds are not indexed for inflation. The analysis is relative to present law before the enactment of PPACA.

<sup>2</sup>The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, and (8) excluded income of U.S. citizens living abroad. Categories are measured at 2009 levels.

<sup>3</sup>Less than 500.

**Distributional Effects of a Proposal to Increase the AGI Floor for the Medical Expense Deduction to 10 Percent as Included in H.R. 4872, the "Reconciliation Act of 2010," as Passed by the House in Combination With H.R. 3590, the "Patient Protection and Affordable Care Act (PPACA)," as Passed by the Senate**<sup>1</sup>

Calendar Year 2015

INCOME CATEGORY <sup>2</sup>	CHANGE IN FEDERAL TAXES <sup>3</sup>		FEDERAL TAXES <sup>3</sup> UNDER PRESENT LAW		FEDERAL TAXES <sup>3</sup> UNDER PROPOSAL		AVERAGE TAX RATE <sup>4</sup>	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000 .....	\$0	0.0%	\$10	0.4%	\$10	0.4%	7.6%	7.6%
\$10,000 to \$20,000 .....	\$11	0.1%	\$18	0.6%	\$18	0.6%	4.8%	4.8%
\$20,000 to \$30,000 .....	\$45	0.1%	\$48	1.7%	\$48	1.7%	10.3%	10.3%
\$30,000 to \$40,000 .....	\$105	0.1%	\$81	2.9%	\$82	2.9%	13.8%	13.8%
\$40,000 to \$50,000 .....	\$159	0.2%	\$103	3.6%	\$103	3.6%	14.5%	14.6%
\$50,000 to \$75,000 .....	\$484	0.2%	\$299	10.5%	\$300	10.6%	16.2%	16.2%
\$75,000 to \$100,000 .....	\$375	0.1%	\$318	11.2%	\$319	11.2%	18.1%	18.1%
\$100,000 to \$200,000 .....	\$437	0.1%	\$812	28.6%	\$812	28.6%	22.5%	22.5%
\$200,000 to \$500,000 .....	\$32	<sup>5</sup>	\$484	17.0%	\$484	17.0%	27.4%	27.4%
\$500,000 to \$1,000,000 .....	\$14	<sup>5</sup>	\$186	6.6%	\$186	6.6%	29.8%	29.8%
\$1,000,000 and over .....	\$4	<sup>5</sup>	\$479	16.9%	\$479	16.9%	29.8%	29.8%
<b>Total, All Taxpayers .....</b>	<b>\$1,666</b>	<b>0.1%</b>	<b>\$2,838</b>	<b>100.0%</b>	<b>\$2,840</b>	<b>100.0%</b>	<b>21.1%</b>	<b>21.1%</b>

Source: Joint Committee on Taxation.  
Detail may not add to total due to rounding.

<sup>1</sup>The proposal would increase the AGI threshold for the deduction of medical expenses from 7.5% to 10%. The proposal does not apply to individuals age 65 and older for tax years before 2017. The analysis is relative to present law before the enactment of PPACA.

<sup>2</sup>The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, and (8) excluded income of U.S. citizens living abroad. Categories are measured at 2009 levels.

<sup>3</sup>Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.

<sup>4</sup>The average tax rate is equal to Federal taxes described in footnote 3 divided by income described in footnote 2.

<sup>5</sup>Less than 0.05%.

<sup>6</sup>Less than \$500,000.

**Distributional Effects of a Proposal to Increase the AGI Floor for the Medical Expense Deduction to 10 Percent as Included in H.R. 4872, the "Reconciliation Act of 2010," as Passed by the House in Combination With H.R. 3590, the "Patient Protection and Affordable Care Act (PPACA)," as Passed by the Senate**<sup>1</sup>

Calendar Year 2017

INCOME CATEGORY <sup>2</sup>	CHANGE IN FEDERAL TAXES <sup>3</sup>		FEDERAL TAXES <sup>3</sup> UNDER PRESENT LAW		FEDERAL TAXES <sup>3</sup> UNDER PROPOSAL		AVERAGE TAX RATE <sup>4</sup>	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000 .....	<sup>6</sup>	<sup>5</sup>	\$10	0.3%	\$10	0.3%	7.3%	7.3%
\$10,000 to \$20,000 .....	\$16	0.1%	\$19	0.6%	\$19	0.6%	4.8%	4.8%
\$20,000 to \$30,000 .....	\$63	0.1%	\$52	1.7%	\$52	1.7%	10.4%	10.4%
\$30,000 to \$40,000 .....	\$146	0.2%	\$88	2.8%	\$88	2.8%	13.9%	13.9%
\$40,000 to \$50,000 .....	\$246	0.2%	\$111	3.6%	\$111	3.6%	14.5%	14.6%
\$50,000 to \$75,000 .....	\$899	0.3%	\$325	10.5%	\$326	10.5%	16.2%	16.2%
\$75,000 to \$100,000 .....	\$906	0.3%	\$346	11.1%	\$347	11.2%	18.0%	18.0%
\$100,000 to \$200,000 .....	\$1,309	0.1%	\$887	28.5%	\$889	28.5%	22.6%	22.6%

**Distributional Effects of a Proposal to Increase the AGI Floor for the Medical Expense Deduction to 10 Percent as Included in H.R. 4872, the “Reconciliation Act of 2010,” as Passed by the House in Combination With H.R. 3590, the “Patient Protection and Affordable Care Act (PPACA),” as Passed by the Senate**<sup>1</sup>—Continued

Calendar Year 2017

INCOME CATEGORY <sup>2</sup>	CHANGE IN FEDERAL TAXES <sup>3</sup>		FEDERAL TAXES <sup>3</sup> UNDER PRESENT LAW		FEDERAL TAXES <sup>3</sup> UNDER PROPOSAL		AVERAGE TAX RATE <sup>4</sup>	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
\$200,000 to \$500,000 .....	\$109	<sup>5</sup>	\$535	17.2%	\$535	17.2%	27.7%	27.7%
\$500,000 to \$1,000,000 .....	\$24	<sup>5</sup>	\$205	6.6%	\$205	6.6%	29.9%	29.9%
\$1,000,000 and over .....	\$15	<sup>5</sup>	\$531	17.1%	\$531	17.0%	29.8%	29.8%
<b>Total, All Taxpayers .....</b>	<b>\$3,734</b>	<b>0.1%</b>	<b>\$3,109</b>	<b>100.0%</b>	<b>\$3,113</b>	<b>100.0%</b>	<b>21.2%</b>	<b>21.2%</b>

Source: Joint Committee on Taxation.  
Detail may not add to total due to rounding.

<sup>1</sup>The proposal would increase the AGI threshold for the deduction of medical expenses from 7.5% to 10%. The proposal does not apply to individuals age 65 and older for tax years before 2017. The analysis is relative to present law before the enactment of PPACA.

<sup>2</sup>The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, and (8) excluded income of U.S. citizens living abroad. Categories are measured at 2009 levels.

<sup>3</sup>Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.

<sup>4</sup>The average tax rate is equal to Federal taxes described in footnote 3 divided by income described in footnote 2.

<sup>5</sup>Less than 0.05%.

<sup>6</sup>Less than \$500,000.

**Distributional Effects of a Proposal to Increase the AGI Floor for the Medical Expense Deduction to 10 Percent as Included in H.R. 4872, the “Reconciliation Act of 2010,” as Passed by the House in Combination With H.R. 3590, the “Patient Protection and Affordable Care Act (PPACA),” as Passed by the Senate**<sup>1</sup>

Calendar Year 2019

INCOME CATEGORY <sup>2</sup>	CHANGE IN FEDERAL TAXES <sup>3</sup>		FEDERAL TAXES <sup>3</sup> UNDER PRESENT LAW		FEDERAL TAXES <sup>3</sup> UNDER PROPOSAL		AVERAGE TAX RATE <sup>4</sup>	
	Millions	Percent	Billions	Percent	Billions	Percent	Present Law	Proposal
							Percent	Percent
Less than \$10,000 .....	\$1	<sup>5</sup>	\$11	0.3%	\$11	0.3%	7.0%	7.0%
\$10,000 to \$20,000 .....	\$21	0.1%	\$21	0.6%	\$21	0.6%	4.8%	4.8%
\$20,000 to \$30,000 .....	\$76	0.1%	\$57	1.7%	\$57	1.7%	10.4%	10.5%
\$30,000 to \$40,000 .....	\$174	0.2%	\$95	2.8%	\$95	2.8%	14.0%	14.0%
\$40,000 to \$50,000 .....	\$284	0.2%	\$120	3.5%	\$120	3.5%	14.5%	14.5%
\$50,000 to \$75,000 .....	\$1,005	0.3%	\$352	10.4%	\$353	10.4%	16.1%	16.2%
\$75,000 to \$100,000 .....	\$1,008	0.3%	\$377	11.1%	\$378	11.1%	17.9%	17.9%
\$100,000 to \$200,000 .....	\$1,343	0.1%	\$966	28.5%	\$967	28.5%	22.6%	22.7%
\$200,000 to \$500,000 .....	\$105	<sup>5</sup>	\$589	17.3%	\$589	17.3%	27.9%	27.9%
\$500,000 to \$1,000,000 .....	\$27	<sup>5</sup>	\$224	6.6%	\$224	6.6%	30.0%	30.0%
1,000,000 and over .....	\$16	<sup>5</sup>	\$583	17.2%	\$583	17.1%	29.8%	29.8%
<b>Total, All Taxpayers .....</b>	<b>\$4,060</b>	<b>0.1%</b>	<b>\$3,393</b>	<b>100.0%</b>	<b>\$3,397</b>	<b>100.0%</b>	<b>21.2%</b>	<b>21.2%</b>

Source: Joint Committee on Taxation.  
Detail may not add to total due to rounding.

<sup>1</sup>The proposal would increase the AGI threshold for the deduction of medical expenses from 7.5% to 10%. The proposal does not apply to individuals age 65 and older for tax years before 2017. The analysis is relative to present law before the enactment of PPACA.

<sup>2</sup>The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, and (8) excluded income of U.S. citizens living abroad. Categories are measured at 2009 levels.

<sup>3</sup>Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.

<sup>4</sup>The average tax rate is equal to Federal taxes described in footnote 3 divided by income described in footnote 2.

<sup>5</sup>Less than 0.05%.

**Distributional Effects of a Proposal to Increase the AGI Floor for the Medical Expense Deduction to 10 Percent as Included in H.R. 4872, the “Reconciliation Act of 2010,” as Passed by the House in Combination With H.R. 3590, the “Patient Protection and Affordable Care Act (PPACA),” as Passed by the Senate<sup>1</sup>**

(Returns in thousands; dollars in millions)  
Calendar Year 2015

INCOME CATEGORY <sup>2</sup>	CHANGE IN FEDERAL TAXES <sup>3</sup>							
	All Returns		Single Filers		Joint Filers		Head of Household	
	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars
Less than \$10,000 .....	6	<sup>5</sup>	5	5	1	5	4	5
\$10,000 to \$20,000 .....	204	\$11	164	\$8	24	\$2	16	\$1
\$20,000 to \$30,000 .....	564	\$45	357	\$28	141	\$12	66	\$5
\$30,000 to \$40,000 .....	953	\$105	502	\$54	312	\$37	139	\$15
\$40,000 to \$50,000 .....	1,131	\$159	508	\$73	391	\$55	232	\$31
\$50,000 to \$75,000 .....	2,321	\$484	626	\$168	1,310	\$253	384	\$63
\$75,000 to \$100,000 .....	1,263	\$375	146	\$70	1,052	\$285	65	\$19
\$100,000 to \$200,000 .....	794	\$437	67	\$50	716	\$381	11	\$6
\$200,000 to \$500,000 .....	21	\$32	3	\$4	18	\$25	<sup>4</sup>	\$2
\$500,000 to \$1,000,000 .....	2	\$14	<sup>4</sup>	\$1	2	\$10	4	\$3
\$1,000,000 and over .....	4	\$4	4	\$1	4	\$3	4	<sup>5</sup>
<b>Total, All Taxpayers .....</b>	<b>7,259</b>	<b>\$1,668</b>	<b>2,378</b>	<b>\$459</b>	<b>3,967</b>	<b>\$1,063</b>	<b>913</b>	<b>\$144</b>

Source: Joint Committee on Taxation.

Detail may not add to total due to rounding.

<sup>1</sup>The proposal would increase the AGI threshold for the deduction of medical expenses from 7.5% to 10%. The proposal does not apply to individuals age 65 and older for tax years before 2017. The analysis is relative to present law before the enactment of PPACA.

<sup>2</sup>The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, and (8) excluded income of U.S. citizens living abroad. Categories are measured at 2009 levels.

<sup>3</sup>Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.

<sup>4</sup>Less than 500.

<sup>5</sup>Less than \$500,000.

**Distributional Effects of a Proposal to Increase the AGI Floor for the Medical Expense Deduction to 10 Percent as Included in H.R. 4872, the “Reconciliation Act of 2010,” as Passed by the House in Combination With H.R. 3590, the “Patient Protection and Affordable Care Act (PPACA),” as Passed by the Senate<sup>1</sup>**

(Returns in thousands; dollars in millions)  
Calendar Year 2017

INCOME CATEGORY <sup>2</sup>	CHANGE IN FEDERAL TAXES <sup>3</sup>							
	All Returns		Single Filers		Joint Filers		Head of Household	
	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars
Less than \$10,000 .....	10	<sup>5</sup>	9	5	2	5	4	5
\$10,000 to \$20,000 .....	292	\$16	241	\$12	31	\$2	20	\$1
\$20,000 to \$30,000 .....	759	\$63	496	\$40	185	\$16	78	\$7
\$30,000 to \$40,000 .....	1,344	\$146	760	\$78	394	\$48	190	\$21
\$40,000 to \$50,000 .....	1,841	\$246	1,072	\$134	501	\$75	269	\$36
\$50,000 to \$75,000 .....	4,258	\$899	1,812	\$446	2,034	\$381	413	\$72
\$75,000 to \$100,000 .....	3,053	\$906	521	\$251	2,466	\$635	66	\$20
\$100,000 to \$200,000 .....	2,225	\$1,309	280	\$196	1,931	\$1,106	14	\$7
\$200,000 to \$500,000 .....	81	\$109	15	\$29	65	\$78	<sup>4</sup>	\$2
\$500,000 to \$1,000,000 .....	4	\$24	1	\$5	3	\$16	4	\$4
\$1,000,000 and over .....	1	\$15	<sup>4</sup>	\$5	1	\$10	4	<sup>5</sup>
<b>Total, All Taxpayers .....</b>	<b>13,869</b>	<b>\$3,734</b>	<b>5,207</b>	<b>\$1,196</b>	<b>7,611</b>	<b>\$2,367</b>	<b>1,051</b>	<b>\$171</b>

Source: Joint Committee on Taxation.

Detail may not add to total due to rounding.

<sup>1</sup>The proposal would increase the AGI threshold for the deduction of medical expenses from 7.5% to 10%. The proposal does not apply to individuals age 65 and older for tax years before 2017. The analysis is relative to present law before the enactment of PPACA.

<sup>2</sup>The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, and (8) excluded income of U.S. citizens living abroad. Categories are measured at 2009 levels.

<sup>3</sup>Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.

<sup>4</sup>Less than 500.

<sup>5</sup>Less than \$500,000.

**Distributional Effects of a Proposal to Increase the AGI Floor for the Medical Expense Deduction to 10 Percent as Included in H.R. 4872, the "Reconciliation Act of 2010," as Passed by the House in Combination With H.R. 3590, the "Patient Protection and Affordable Care Act (PPACA)," as Passed by the Senate <sup>1</sup>**

(Returns in thousands; dollars in millions)  
Calendar Year 2019

INCOME CATEGORY <sup>2</sup>	CHANGE IN FEDERAL TAXES <sup>3</sup>							
	All Returns		Single Filers		Joint Filers		Head of Household	
	Returns	Dollars	Returns	Dollars	Returns	Dollars	Returns	Dollars
Less than \$10,000 .....	17	\$1	16	\$1	1	5	4	5
\$10,000 to \$20,000 .....	347	\$21	287	\$17	36	\$2	24	\$2
\$20,000 to \$30,000 .....	844	\$76	543	\$47	202	\$20	99	\$10
\$30,000 to \$40,000 .....	1,508	\$174	837	\$91	419	\$54	252	\$29
\$40,000 to \$50,000 .....	2,007	\$284	1,191	\$160	537	\$85	279	\$39
\$50,000 to \$75,000 .....	4,508	\$1,005	1,949	\$508	2,143	\$421	417	\$77
\$75,000 to \$100,000 .....	3,232	\$1,008	546	\$278	2,636	\$713	50	\$17
\$100,000 to \$200,000 .....	2,274	\$1,343	285	\$203	1,979	\$1,136	9	\$5
\$200,000 to \$500,000 .....	73	\$105	15	\$29	58	\$74	1	\$3
\$500,000 to \$1,000,000 .....	4	\$27	1	\$5	3	\$17	1	\$4
\$1,000,000 and over .....	1	\$16	4	\$6	1	\$11	4	5
<b>Total, All Taxpayers .....</b>	<b>14,817</b>	<b>\$4,060</b>	<b>5,671</b>	<b>\$1,344</b>	<b>8,015</b>	<b>\$2,532</b>	<b>1,131</b>	<b>\$184</b>

Source: Joint Committee on Taxation.  
Detail may not add to total due to rounding.

<sup>1</sup>The proposal would increase the AGI threshold for the deduction of medical expenses from 7.5% to 10%. The proposal does not apply to individuals age 65 and older for tax years before 2017. The analysis is relative to present law before the enactment of PPACA.

<sup>2</sup>The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: (1) tax-exempt interest, (2) employer contributions for health plans and life insurance, (3) employer share of FICA tax, (4) worker's compensation, (5) nontaxable Social Security benefits, (6) insurance value of Medicare benefits, (7) alternative minimum tax preference items, and (8) excluded income of U.S. citizens living abroad. Categories are measured at 2009 levels.

<sup>3</sup>Federal taxes are equal to individual income tax (including the outlay portion of refundable credits), employment tax (attributed to employees), and excise taxes (attributed to consumers). Corporate income tax is not included due to uncertainty concerning the incidence of the tax. Individuals who are dependents of other taxpayers and taxpayers with negative income are excluded from the analysis.

<sup>4</sup>Less than 500.

<sup>5</sup>Less than \$500,000.

Based on your review, do you agree with one Democratic member's assertion that there is not "one dime" of a tax increase on taxpayers with incomes under \$200,000?

Answer. I have reviewed the tables, and according to Footnote 6, the increase is less than 0.05%.

Question. Based on your review, do you agree with the Joint Committee on Taxation that there are several tax increase proposals on taxpayers with incomes under \$200,000 that the Joint Committee on Taxation said were present, but which they could not distribute?

Answer. Yes.

Question. Based on your review, do you agree with the Joint Committee on Taxation that the proposal cutting back the itemized deduction for catastrophic medical losses affects at least 1 million more taxpayers with incomes under \$200,000 than the number of taxpayers in the same cohort who receive exchange credits and other tax subsidies?

Answer. Yes.

## CORPORATE INTEGRATION

*Question.* I was pleased to hear you say in the hearing, in your dialogue with Senator Scott, that you see the issues of individual and corporate tax reform as linked. As you may know, I am very interested in integrating the individual income tax system and the corporate income tax system. Please share with me your thoughts about corporate integration.

*Answer.* I commend your hard work in reforming the corporate tax system to make the U.S. more competitive. I look forward to working with you in these efforts.

## TREASURY/IRS COMPLIANCE WITH ADMINISTRATIVE LAW

*Question.* There has been an unfortunate trend in recent decades suggesting that tax regulations are somehow not subject to the normal requirements of administrative law.

That trend has suggested that somehow tax regulations and other rules promulgated by the IRS are not subject to the same notice and comment period as other regulations by other Federal agencies, that they are not subject to the same cost-benefit analysis as other Federal regulations, that they are not subject to the same OMB Office of Information and Regulatory Affairs analysis as other Federal regulations, and that they are not subject to the same Congressional Review Act requirements as other Federal agencies.

The Supreme Court, in its 2011 *Mayo* decision, and the Tax Court, in its 2015 *Altera* decision, instructed the IRS that the IRS is not exempt from administrative law requirements. The IRS is subject to the same administrative law requirements as other Federal agencies.

Can you assure me that you will make sure that IRS regulations, rules, and guidance comply with administrative law requirements?

*Answer.* If confirmed, I will ensure that the Treasury follows the requirements of administrative law, where applicable.

## EFFICIENT TAXATION

*Question.* The United States may overly rely on the income tax. A fair amount of study on the topic has suggested that a tax on savings/investment increases the cost to capital, thus, in turn decreasing capital formation, wage growth, and GDP growth. Would either consumption or land-value be a more efficient tax base as compared with income? Could a shift to such a tax base be done in an approximately distributionally neutral fashion?

*Answer.* The objective of tax reform should be to collect the revenue the government needs to fund the proper functions of government and maximize growth and opportunity for all Americans. If confirmed, I will work with you to find the best and most efficient way to do that.

## EC STATE AID RULINGS/INVESTIGATIONS

*Question.* I appreciated that your predecessor (if you are confirmed), Jack Lew, responding to bipartisan concerns, was vigilant in criticizing and protesting the European Commission State Rulings/Investigations. I'm concerned that the EC State Aid Rulings/Investigations are retroactive in effect, unfairly target U.S. multinational enterprises, call into question the legal stability of the EU, call into question the sovereignty of EU member states as to tax matters, and call into question the stability of the numerous tax treaties the United States has with various EU member states. Will you please assure the committee that you will continue the bipartisan efforts of your predecessor in this regard?

*Answer.* Yes, I assure you I will continue in these efforts.

## HIDDEN EFFECTIVE TAX RATE INCREASES

*Question.* I have been concerned that there are numerous hidden effective tax rate increases throughout the Internal Revenue Code. To name just a few: The section 32 Earned Income Tax Credit phase-out, the section 24(b)(1) Child Tax Credit limitation, the section 68 Pease limitation on itemized deductions, and the section 151(d)(3) Personal Exemption Phaseout (PEP). I'm concerned about these effective tax rates for two different reasons: (1) they are hidden, taxpayers don't know about them, and thus imposing these tax rate increases is contrary to principles of trans-

parent government; and (2) to the extent taxpayers do know about these tax-rate increases, they discourage further income production.

Perhaps the reality is somewhere in between these two—most taxpayers don't quite understand that there are these hidden tax-rate increases, but they do know that somehow, despite harder work, and higher pre-tax pay, they find it difficult to move up the economic ladder. Whatever the case, what are your thoughts? Will you work with me to combat creation of additional hidden effective tax rate increases? Would you work with the committee to reduce/eliminate hidden effective tax rate increases?

Answer. I look forward to working with you to give Americans a tax code that is fair, transparent and rewards hard work, saving, and investment.

If confirmed, I will work with you to eliminate or minimize "hidden effective tax rates."

#### CONGRESSIONAL REVIEW ACT

*Question.* Do you agree that before a Treasury rule takes effect, the Treasury Department, pursuant to the Congressional Review Act, must submit to Congress a report, which among other things must state whether the rule is a major or non-major rule?

Do you agree that only the Administrator of the Office of Information and Regulatory Affairs of the Office of Management and Budget may make a finding that a rule is a major rule within the meaning of 5 U.S.C. section 804(2)? If yes, then does this imply that all Treasury rules must be reviewed by the Administrator of OIRA to determine whether it is major?

Answer. I am aware that there is an agreement between Treasury and OMB that dates back to 1983 with regard to review of certain Treasury rules. If confirmed, I pledge to review that agreement in order to learn more about its purpose and history.

*Question.* Last year the Finance Committee reported out a bi-partisan retirement reform bill, on a 26 to 0 vote (S. 3471, 114th Cong.), that included reforms such as additional incentives for small businesses that set up retirement plans, authorization for employers to join so-called "multiple employer plans" so that they can join forces to share the costs of offering a plan, and a provision making it easier for employers to provide, and for employees to purchase, retirement annuities in their 401(k)-type plans.

You may not have had a chance to focus on retirement reform legislative issues yet, but retirement reform has been a priority with the committee for quite some time and has very strong, bipartisan support.

Can you assure me that the Treasury Department will work with the Finance Committee in the 115th Congress to enact retirement reform?

Answer. I look forward to working with the finance committee on retirement reform.

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#### QUESTIONS SUBMITTED BY HON. RON WYDEN

##### IRS RESOURCES

*Question.* Mr. Mnuchin, over the years, the IRS budget has been cut. The IRS FY 2016 budget was \$11.235 billion, including an additional \$290 million marked specifically for customer service, combating stolen identity refund fraud, and cybersecurity. This budget is 7% lower than its high-water mark funding level in FY 2010 (\$12.146 billion), or 17%, adjusted for inflation. The cut in resources has impacted taxpayer services and enforcement of the tax laws.

Do you see this as a problem?

Answer. If confirmed, I will review the appropriate resources for the IRS and see how these cuts have impacted taxpayer services and enforcement of the tax laws.

*Question.* What are your plans for fixing this issue? You told Finance Committee staff that you were surprised IRS staffing had fallen over time. Indeed, IRS full-time equivalents have declined from 94,618 employees in FY 2010 to 82,705 in FY 2016, a decrease of 12.6 percent. Do your plans possibly include hiring more IRS

employees? How would IRS hiring be affected by President Trump's planned Federal employee hiring freeze?

Answer. To the extent that additional resources are needed to increase revenues and improve taxpayer services, I will commit to work with the President to exempt the IRS from a hiring freeze.

*Question.* Recent attacks on IRS's IP PIN and the IRS Get Transcript applications highlight the inadequacy of IRS systems and electronic authentication procedures. Are you concerned about IRS's antiquated systems and technology? What about their cybersecurity? Would you give IRS additional resources to address these chronic issues?

Answer. Based upon the information I have seen, I am concerned about the IRS's technology and cybersecurity resources. I would work with the IRS commissioner to ensure that we have the necessary resources.

*Question.* It's also no secret that you need more resources to stay ahead of the crooks, starting with having the right cybersecurity and IT experts. Many of those experts were hired using "Streamlined Critical Pay" authority. The ability to fill the Chief Technology Officer position using this authority already expired in June of last year and the remaining positions are scheduled to expire during the course of 2017. IRS will face mounting IT and cybersecurity threats if Congress fails to renew streamlined critical pay authority for the agency. Is this an authority you will push for as Treasury Secretary?

By way of background, in 1998, Congress gave the IRS streamlined critical pay authority, which allowed the Secretary of Treasury to appoint individuals to critical positions within the IRS. The initial authority expired in 2008, but Congress extended it to September 30, 2013, but not thereafter. Over the period, the IRS has created 168 positions using this authority. The largest number of these positions has been in IT (a total of 93). The purpose of the streamlined critical pay authority was to give the IRS the ability to attract and hire expertise that wasn't available within the agency. Streamlined critical pay authority allows higher compensation than the typical GS schedule. In addition, the time to process the candidate is shorter—4 to 6 weeks rather than 3 to 4 months. Currently, the IRS has 13 streamlined critical pay positions. The IRS's Chief Technology Officer position, however, expired in June of last year, and the remaining positions expire in 2017.

Answer. This issue is of tremendous importance, and I propose to address it very seriously. You rightly note that human resources are a critical part of achieving ambitious goals within a complex IT environment. If confirmed I will work to address these issues.

#### TAX REFORM

*Question.* Mr. Mnuchin, when it comes to tax reform, it is easy to propose lowering rates and broadening the base. But it clearly matters how one broadens the base. There are provisions in the tax code that have broad bipartisan support, and if repealed, could damage our economy, get rid of jobs, and harm communities in Oregon and across the country. For example, the low-income housing tax credit has financed nearly 3 million affordable homes for low-income working families since its creation in the last comprehensive tax reform, and sustains nearly 100,000 jobs annually. Are you committed to ensuring that the low-income housing tax credit program is maintained as a part of tax reform?

Answer. President Trump's objective is to pass tax reform that grows the economy and benefits all Americans. If confirmed, I look forward to working with Congress on a review of the housing tax credit programs.

*Question.* The President's tax reform plan would cut the business tax rate to 15 percent for both corporations and pass-throughs—such as partnerships, sole proprietors, and S corporations. But then the reform proposal states that the distribution from "large" pass-throughs would be treated as dividends and taxed again.

Are you saying that large pass-through businesses would be treated as corporations—taxed once at the entity level and then again at the owner level? If not, can you please clarify what you mean when you say that "large partnerships will be taxed"? How would you define "large"? Would you provide any exceptions such as for Master Limited Partnerships (MLPs) or Real Estate Investment Trusts (REITs)?

Answer. The President has previously stated his support for tax reform that benefits all Americans. If confirmed, I look forward to work with you to ensure that no individual or business organization is unfairly treated in comparison to others.

*Question.* Here's a scenario for you to consider. A salaried employee rather than taking her income as wages instead sets up a sole proprietorship that provides labor services to the company. That employee of the company now pays a 15-percent tax rate instead of paying a 33-percent tax rate. That's an advantage for the taxpayer. How would the President's tax plan prevent gaming like this?

Answer. If confirmed, I will work with Congress to ensure that we prevent people from "gaming" the system.

*Question.* During the confirmation hearing before the Finance Committee, when questioned by the ranking member about how ACA repeal would take premium tax credits away from the middle class to fund payroll and investment tax cuts for the wealthy, you said that we had to look at tax reform as a whole. But according to an analysis by the Tax Policy Center (TPC), the Trump tax reform plan by itself would also raise taxes on middle-class families with children, in large part because it would repeal the personal exemption for children and force single parents with children to file as singles and so forfeit the more generous standard deduction they currently receive. Please note that the Trump proposal does this while also delivering massive tax cuts to the highest-income taxpayers and businesses. TPC's analysis also notes that the President's proposed child care deduction and tax credit fails to compensate families for these other lost tax benefits.

Mr. Mnuchin, does the President intend to raise taxes on middle-income families on net?

Answer. President Trump made it clear throughout the campaign that his commitment was to tax relief for the middle class. If confirmed, I will work with President Trump and Congress to ensure that middle-class families are not further burdened by higher taxes.

*Question.* You keep saying that a middle-class tax cut is the centerpiece of your tax reform agenda—what middle-class taxes do you actually intend to cut?

Answer. President Trump has outlined a bold tax reform agenda that will include relief for the middle class. If confirmed, I will work with the President to implement these reforms for the American middle class.

*Question.* Will these middle-class tax cuts make up for the premium tax credits that will be lost to ACA repeal?

Answer. If confirmed, I will work with the Secretary of Health and Human Services to determine the economic impact of any changes to ACA.

*Question.* During the campaign, the President often expressed his intention to bring jobs and investment back to low income, high unemployment rural communities, and urban areas. Over the last 15 years, the New Markets Tax Credit has demonstrated that it is an important tool for revitalization. As the administration assembles its tax reform package, I hope you will take a serious look at making the New Markets Tax Credit permanent.

Since the credit was launched in 2001, \$38 billion in direct New Markets Tax Credit investments were made in businesses and these New Markets Tax Credit investments leveraged over \$75 billion in total capital investment to businesses and revitalization projects in communities with high rates of poverty and unemployment.

This financing has resulted in the creation of 750,000 jobs and the financing of commercial and industrial facilities, day care and health-care centers, mixed use facilities, and small business loans, all of which improve local economies and the quality of life in distressed neighborhoods.

In Oregon, \$843 million in New Markets Tax Credit capital has leveraged a total of \$1.73 billion in financing for a range of projects and created nearly 15,000 construction jobs and more than 16,000 permanent jobs.

For example, Chaucer Foods created about 73 new jobs in Forest Grove, OR with the opening of a new freeze-dried food processing facility.

NMTC financing helped Advantage Dental, one of Oregon's largest dental health care providers for low-income persons within the State serving over 200,000 pa-



tients, finance 7 additional dental clinics providing dental services to the uninsured and low income individuals.

In Ontario, OR, \$4 million New Markets Tax Credit allocation facilitated the purchase and necessary improvements of a factory for Fry Foods, Inc., bringing needed jobs to the area.

And in Dillard, OR, the NMTC helped Roseburg Forest Products, a manufacturer of wood products, obtain working capital for capital improvements needed to remain competitive and retain critical manufacturing jobs. The influx of working capital allowed RFP to install new equipment and expand its facilities so that RFP can capitalize on the timber industry's recovery and retain 971 jobs.

The New Markets Tax Credit has bipartisan support, and has been very successful in leveraging private sector capital for investment on some of the poorest urban and rural areas of the America. It will be a valuable tool in your efforts to bring jobs back to communities left behind by the economic recovery. Do I have your commitment that you will work with me to make permanent this important program?

Answer. I share your commitment to bring back jobs to these communities that have been so gravely affected by economic conditions for which they had no part in creating. If confirmed, I will work with you to make sure that the poorest and rural areas of America are no longer left behind.

#### DEBT CEILING

*Question.* The current debt limit suspension is set to expire March 17th. The responsible course for the new Congress would be to raise the debt limit without drama or brinksmanship. Unfortunately, if recent history is any indication, we may once again hear calls to block raising the debt limit. With extraordinary measures, the Treasury Secretary can lengthen this time to possibly summer, if necessary.

What are your plans for dealing with the debt ceiling?

Answer. As I have stated, and as has been the position of prior Secretaries of the Treasury, honoring the full faith and credit of our outstanding debt is a critical commitment.

If confirmed, I look forward to working with President Trump and Congress before the mid-March deadline.

*Question.* Do you support using extraordinary measures, if necessary, while the White House and Congress pursue negotiations to raise the debt limit?

Answer. I do support using whatever powers are within the Treasury to honor our commitments.

*Question.* Would you be willing to work with the bipartisan group in Congress and the financial institutions that have supported the collection of meaningful beneficial ownership information by authorities at the time of incorporation?

Answer. If confirmed, I will work with your office to understand this issue.

#### MNUCHIN FOUNDATION

*Question.* Do you maintain this foundation maintained with your father and your former wife?

Answer. Yes.

*Question.* Based on publicly available filings, it appears that despite making more than \$1.5 million in 2003, your foundation failed to distribute the required 5 percent to charities. Could you explain why you chose to not give those funds to charity as required by law?

Answer. The Foundation did not earn more than \$1.5 million in 2003, nor did its fair market value increase by that figure. A comparison of the originally filed 2002 return and the amended 2003 return actually shows a decrease in fair market value of approximately \$150,000. In addition, the Foundation had realized income in 2003 of \$37,775.

A foundation is required to distribute 5% of the average fair market value of a given fiscal year by the close of the next fiscal year. Therefore, the distribution requirement related to 2003 needed to be made by the close of the 2004 fiscal year. In 2004, the Foundation was required to distribute \$259,917 related to fiscal year 2003; however, it only distributed \$221,034. The short-fall of \$38,883 was an over-

sight by the Trustees and was not done intentionally. Please note that in the approximately 19 years that the foundation has been in existence this was the only year the Foundation failed to meet that requirement.

*Question.* By failing to make the required minimum distribution from your foundation, you would have been required to pay an excise tax penalty. Later in 2003 it appears your foundation filed an amended tax return that revalued one of your investments in the ESL Limited hedge fund, the effect of which was to reduce the amount subject to the excise tax penalty by more than \$40,000. This revaluation appears potentially inconsistent with your accounting in other years' filings. Could you please explain this discrepancy?

*Answer.* The originally filed return in 2003 used an incorrect fair market value for ESL Limited. When the error was discovered, the return was amended.

#### HOUSE BLUEPRINT

*Question.* The House Blueprint resembles a 20% subtraction method VAT. A 20% subtraction method VAT is equivalent to a 25% credit invoice method VAT, the type used in Europe. Wouldn't that mean that the U.S. would go from having the highest corporate income tax rate in the world to the second highest VAT rate on consumers in the world (without taking into account sales and use taxes at the State and local level)? Do you think that would be wise?

*Answer.* If confirmed, I am committed to working with Congress on a tax reform proposal that increases the competitive position of our Nation by encouraging growth in investment, and simplification for personal taxes.

*Question.* Some proponents of the House Blueprint argue that the U.S. dollar will immediately strengthen to offset the impact of border adjustments. Even if true (which many experts doubt), are there downsides that should be considered? For example, if the U.S. dollar suddenly appreciates 25%, doesn't that mean that there is a sudden wealth transfer away from U.S. persons with foreign assets (denominated in dollars) to foreign persons with U.S. assets (denominated in foreign currencies)? Won't this harm U.S. multinationals with large foreign subsidiaries, other U.S. investors with significant foreign holdings, and debtors with dollar-denominated debt? Aren't the Chinese likely to be the largest beneficiaries of this wealth shift since they hold large amounts of U.S. debt and assets?

*Answer.* If confirmed, I am committed to working with Congress to craft the best possible tax reform plan to serve all Americans.

*Question.* Also, won't inflation in the value of the dollar discourage foreign direct investment, by making purchases of U.S. assets relatively more expensive for foreign buyers?

*Answer.* If confirmed, I am committed to working with Congress to craft the best possible tax reform plan to serve all Americans.

*Question.* Some economists have argued that there will be no impact on trade of the border tax adjustments in the House Blueprint because exchange rate changes will neutralize their effect. Several of the money center banks that are close to foreign currency markets have raised doubts that these economic assumptions are true in the real world. For example, Morgan Stanley said that a 25% increase in the dollar "would be extreme to say the least" and is not very likely to happen. They said, "we are skeptical of a full offset, particularly on a short time horizon, as it usually takes a long time for exchange rates to fully react to changes in trade flows." Do you share their concerns that exchange rate adjustments may not fully offset the trade effect of the border tax adjustments?

*Answer.* If confirmed, I am committed to working with Congress to craft the best possible tax reform plan to serve all Americans.

*Question.* For background, there are several reasons exist why exchange rate adjustments may not resolve these trade barrier concerns. First, it is unclear whether these adjustments would be instantaneous. It may take time for exchange rates to adjust to changes in trade flows. Second, a number of cases exist where foreign currencies or prices of commodities are pegged to the dollar and thus may not be flexible, in the short or long term, for exchange rate adjustment. Third, assuming exchange rates adjust to offset the effects of border adjustments across the economy as a whole these changes would be general in nature and would not account for differences between industry sectors or business circumstances. A sector that was impacted more heavily than the economy could remain disadvantaged. Fourth, it is im-

portant to note that, in the House Blueprint, the border tax adjustment for imports is not equivalent to the adjustment for exports. This disparate treatment could affect the exchange rate adjustment that theoretically should occur with full border tax adjustments. Finally, other factors affect exchange rates that could have countervailing effects. These include, interest rates, levels of inflation, growth in public debt, economic capacity, and political and economic stability.

Under the Blueprint, no tax would be imposed on exports. Consequently, we would be ceding the right to tax foreign income from value-creating activities in the United States. Because we have relinquished our right to tax such income, would other countries react to this change by adopting similar tax systems or otherwise increasing taxes on U.S. companies with respect to such income? Wouldn't you expect foreign countries to "make up the difference" by taxing U.S. multinationals overseas income as was done in the EU state aid cases?

Answer. If confirmed, I am committed to working with Congress to craft the best possible tax reform plan to serve all Americans.

*Question.* Many trade law experts believe that the border adjustable tax embodied in the House Blueprint is not WTO compliant. Are you concerned that it would be challenged by our trading partners and subject U.S. companies to potential retaliation of a magnitude we haven't seen before?

Answer. I agree with the President that we have to take an America First approach to everything we do. This is another issue that will need to be evaluated fully before proceeding.

*Question.* The General Agreement on Tariffs and Trade (GATT) imposes several limitations on the ability to provide border adjustments to a tax. First, as indicated in the "Illustrative List of Export Subsidies," relief of any "direct" tax (under a border adjustment) will constitute a prohibited export subsidy. For this purpose, a direct tax is a tax imposed on all forms of income, wealth, and ownership of property. Second, while relief of an indirect tax through a border adjustment generally would be allowed, the amount of the rebate cannot exceed the amount of tax levied on the same good or service when sold for domestic consumption. Finally, the border adjustment applicable to imports is subject to "national treatment" requirements, generally requiring that imported and domestically produced goods and services be treated equally once the foreign goods have entered the market. Are you concerned that the business cash flow tax under the House Blueprint would be subject to challenge at the WTO (1) as a direct tax, (2) because the deduction for wages could cause the resulting rebate to exceed taxes paid on the exported goods, and (3) that national treatment requirements will be violated because a deduction would be allowed for wages for work performed in the United States but not with respect to imported goods?

Answer. If confirmed, I am committed to working with Congress to craft the best possible tax reform plan to serve all Americans.

*Question.* As proposed, the import border tax adjustment proposed in the House Blueprint would be difficult to enforce against foreign sellers who sell directly to U.S. consumers (similar to States' difficulties in collecting sales and use taxes on sales made by out-of-state sellers to in-state consumers)? Is it possible to close this loophole effectively? Wouldn't any enforcement mechanism require us to abrogate all of our tax treaties?

Answer. If confirmed, I am committed to working with Congress to craft the best possible tax reform plan to serve all Americans.

*Question.* I'm concerned, as the Joint Tax Committee staff has previously stated, that if we replace our current income tax with a consumption-type tax like the House Blueprint, our current tax treaty system may not "be still applicable or desirable." Among the issues that would potentially need to be rethought under existing treaties are: (1) would the permanent establishment rules need to be changed or scrapped in a shift to a destination-based system; (2) whether foreign countries will refuse to give credit for U.S. taxes because the system is no longer an income tax; and (3) will reduced withholding rates continue to be respected? Until these and other similar issues are resolved under each existing treaty, won't taxpayers face considerable uncertainty?

Answer. If confirmed, I am committed to working with Congress to craft the best possible tax reform plan to serve all Americans.

## RETIREMENT SAVINGS

*Question.* Today the United States is in the midst of a retirement savings crisis. In 2013, the National Institute on Retirement Security estimated that the retirement savings deficit is between \$6.8 and \$14.0 trillion. Furthermore, the Employee Benefit Research Institute reports that in 2016, 26 percent of all workers surveyed had less than \$1,000 in retirement savings and 68 percent of workers with household income less than \$35,000 a year had less than \$1,000 in retirement savings. What would you do as Treasury Secretary to address our country's retirement savings crisis?

*Answer.* Senator, you rightfully raise a concern about underfunded retirement savings of many Americans. If confirmed, I look forward to exploring this issue further with you.

*Question.* Last September I released a discussion draft titled the Retirement Improvements and Savings Enhancements (RISE) Act of 2015. This bill would among other things encourage retirement savings. For example, the bill would allow employers to make matching contributions to their 401(k) retirement plans on behalf of their employees who made student loan payments but were unable to afford to also contribute to their 401(k) plans. It is difficult for many Americans, especially younger workers, to save for retirement while also paying off their student loans. However, those employees miss out on essentially "free money" by not taking advantage of employer matching contributions to 401(k) plans.

Do I have your commitment that you will work with me to enact this important provision and help young people save for retirement?

*Answer.* If confirmed, I look forward to working with you on solutions to encourage retirement savings.

*Question.* A recent *Wall Street Journal* article reported that "the largest generation in U.S. history has to start pulling its retirement money this year."<sup>3</sup> This is because of the required minimum distribution (RMD) rules that generally require participants to begin taking distributions from their retirement plan at age 70½. The policy behind this rule is to ensure that individuals spend their retirement savings during their lifetime and not use their retirement plans for estate planning purposes to transfer wealth to beneficiaries. However, the age 70½ was first applied in the retirement plan context in the early 1960s and has never been adjusted to take into account increases in life expectancy. To address this issue, the RISE Act would increase the RMD age from 70½ to 71 in 2018. The age would be increased further to 72 in 2023, 73 in 2028 and, thereafter, would be adjusted in a manner proportional to increases in life expectancy. Do I have your commitment that you will work with me on this issue?

*Answer.* If confirmed, I look forward to working with you on solutions to encourage retirement savings.

*Question.* I'd like to get your views on the so-called "mega-IRAs." As of 2011, 2,000 to 5,000 taxpayers had aggregated IRA balances over \$5 million, which also include Roth IRAs. The estimated fair market value of their Roth IRAs totaled \$8-\$13 billion as of 2011. There are even press reports of executives in the high tech industry with Roth IRAs with balances \$30 million to more than \$90 million. Yet contrast that with the account balances of most Americans. In 2013, the median IRA account balance was \$25,438.

I just don't think that's fair. Do you? My bill, the RISE Act, includes some common-sense reforms to address the mega-IRA issue. For example, the bill would prohibit further contributions to a Roth IRA if the total value of an individual's Roth IRA exceeds the greater of (i) \$5 million or (ii) the balance as of December 31, 2016. Do I have your commitment to work with me to create more fairness in our retirement system and address the mega-IRA issue?

*Answer.* Senator, I understand your concern. I look forward to the opportunity of further exploring this issue with you.

*Question.* One area where I see a lot of unfairness in our tax system is executive compensation. According to the Economic Policy Institute, top CEOs were paid 276 times more than the typical worker in 2015. Do you think that's fair? In many ways, the tax code encourages employers to pay their employees large sums of money on a tax-preferred basis. Do you agree? Do you commit to working with me to shut down executive compensation loopholes?

Answer. I am committed to work with Congress to ensure that the tax code is fair. I believe these issues need to be addressed in the context of broad tax reform. As to the issue of what executives are paid, I believe this is for shareholders to determine. I don't think it is the proper role of the Federal Government to prescribe limitations.

*Question.* There are more than a thousand multiemployer pension plans around the country, and millions of Americans rely on them for economic security in retirement. But many of those pension plans are in dire financial straits. With the livelihoods of so many Americans on the line, it's vital that Democrats and Republicans come together to find solutions to this crisis. Do I have your commitment that you will work with me to address the multiemployer pension crisis?

Answer. If confirmed, you have my commitment to work with you to find solutions to the multiemployer pension crisis.

*Question.* Since 2006, an enhanced income tax deduction has allowed family farmers, ranchers, and forest landowners to get an important tax benefit for donating a conservation easement on their land. This temporary provision was made permanent by the PATH Act on December 18, 2015.

This enhanced tax incentive boasts a long history of bipartisan congressional and administration support. It is clear that policy makers value the conservation of land protection by private landowners through the charitable contribution of conservation easements. Unfortunately, the availability of significant tax benefits can also attract those who would abuse the provision.

Recently, the Treasury Department and IRS have become aware of certain syndicated conservation easement transactions that purport to give so-called "investors" the opportunity to obtain charitable contribution deductions in amounts that significantly exceed the amount invested.

On December 23, 2016, Notice 2017-10 was issued alerting taxpayers and their representatives that certain, very specific syndicated conservation easement transactions are tax avoidance transactions requiring those who participate in such transactions to make a disclosure to the IRS. Congress provided these reporting tools to the IRS to help identify and deal with abusive transactions, such as those covered in the notice.

Members of Congress and the land trust community support this effort by Treasury and the IRS to protect the integrity of this important conservation program. Will you commit to work with this committee to protect the integrity of the conservation easement program? Will you keep this committee informed about these abuses and whether additional enforcement tools are needed to curb these abuses?

Answer. If confirmed, I commit that I will work with the committee to protect the integrity of the conservation easement program and will keep the committee informed about potential abuses and enforcement tools that are needed.

#### TOBACCO TAX

*Question.* In 2009, Congress raised tobacco taxes to help fund the State Children's Health Insurance Program. The taxes on cigarettes and roll-your-own tobacco were raised to the equivalent of \$10.07 per carton. At the same time, the tax on pipe tobacco was raised only marginally—to \$1.15 per carton equivalent.

In July 2014, this committee held a hearing on "Tobacco: Taxes Owed, Avoided, and Evaded." At that hearing, we received testimony that the Federal Treasury had, to that date, lost over \$2 billion due to tax evasion by certain tobacco companies who responded to the 2009 tax increase by selling roll-your-own tobacco in bags mislabeled as (and thus taxed as) "pipe" tobacco.

According to GAO, sales of pipe tobacco rose over 740% following the tax increase while sales of roll-your-own fell by more than 80%. Clearly the number of pipe tobacco smokers in our country did not increase more than 7-fold during that same period.

In 2010, the Alcohol and Tobacco Tax and Trade Bureau issued an Advanced Notice of Proposed Rulemaking to stem this abuse. It extended the comment period in 2011. Now, running on 6 years later, TTB has yet to issue the Proposed Rule, despite the fact the Administrator of TTB testified at our July 2014 hearing, that "[w]e are going to air a rulemaking in January [2015]." Will you assure this committee that the Proposed Rule will be finally issued expeditiously if you are confirmed?

Answer. If confirmed, I will work with the committee on the proposed rule.

#### MNUCHIN RULE

*Question.* Every time an American earns even \$1, a Medicare tax is taken out to fund the program. However, in 2015, congressional Republicans—as part of their reconciliation bill—decided that the wealthy should see that tax cut. That means multimillionaires who still earn a paycheck—you may know a few—will get a tax cut, while teachers, nurses, police officers, firefighters, and other middle-income workers will continue to pay full freight. Do you support that policy?

That doesn't seem to square with your comments about "no absolute tax cut" for the rich. To be clear, this tax cut for the wealthy shortens the life of the Medicare program by 3 years. Am I understanding you correctly that you support a tax cut for the wealthy at the expense of the Medicare program?

Would you advise President Trump to veto any legislation that reduces revenue going into the Medicare Trust Fund in order to maintain the solvency of the Medicare program?

Answer. The President is committed to protecting the integrity of Medicare. He also is committed to addressing the negative economic effects of many of the provisions, including tax provisions, enacted as part of the Affordable Care Act. If confirmed, I will work with Congress to ensure that we meet these objectives.

*Question.* To move forward on tax reform, Congress needs to be streamlining rules to stop the wealthy and well-connected from gaming the system while making sure working Americans get a fair shake. On that basis, please answer the following questions.

You have said that the President's tax reform proposal will not include an absolute tax cut for the wealthy. Is this correct?

Will the President's tax proposals keep the tax system at least as progressive as it is currently?

If it's done right, tax reform can put more money back into the pockets of hardworking Americans, so that they can meet their bottom line. How will you cut taxes for working families without adding to America's debt?

You have said that you want to lower marginal tax rates. You have also said that you are considering capping or repealing most itemized deductions. Is this correct?

This will result in a net tax cut for the highest-income taxpayers. Someone making \$10 million a year has maxed out most of their tax deductions, but they will benefit tremendously from the marginal rate cut. Doesn't this seem to go against your pledge that there will be no tax cut for high-income earners?

Answer. As I noted earlier, the President supports tax reform that will grow the economy and put more money in the pockets of hardworking Americans. If confirmed, I will work with Congress to maintain an appropriate level of progressivity in the tax code.

#### PRESIDENT'S TAX RETURNS

*Question.* President Trump has said many times that his tax returns are under audit. The President has also said he will not divest himself of his investments and the businesses he owns, but rather transfer control to his family. As the President's campaign Finance chairman who became the Treasury Secretary nominee, how can the American people ensure that the audit of the President's tax returns and his business dealings will be free of political interference?

Answer. If confirmed, I am committed to uphold the laws of the United States and to defend the Constitution. That pledge will extend to all the duties I would undertake including maintaining the relationship of the Treasury and the IRS.

*Question.* Senator Wyden introduced legislation earlier this month that would require all sitting Presidents to release their most recent 3 years of tax returns to the Office of Government Ethics. If the bill becomes law and you are confirmed, will you make Mr. Trump's tax returns public despite the continued objections from your future boss?

Answer. If confirmed, I am committed to uphold the laws of the United States.

## TAX REFORM PROCESS

*Question.* Mr. Mnuchin, the House is already drafting the Republican tax reform proposal, which includes some brand new ideas such as their border adjustability tax. There are legitimate concerns this new tax may rest solely on the shoulders of consumers. Regardless, the House plans to rush this new tax through under special procedural protections, allowing them to do so in a partisan way and with very limited debate. Do you think President Trump's voters deserve to have a proper vetting and regular order process before any new tax goes into place on the things they buy?

*Answer.* If confirmed, I am committed to working with Congress to craft the best possible tax reform plan to serve all Americans.

## U.S. TERRITORIES

*Question.* There have been press articles regarding the activities of "Best Sunshine" corporation in the Commonwealth of the Northern Mariana Islands. Would you please review these articles and let me know what action, if any, should be taken by the Treasury Department and other Departments?

*Answer.* If confirmed, I will ensure that the Department reviews this information and gets back to you.

## CURRENCY, THE U.S. DOLLAR, AND SANCTIONS TOWARD RUSSIA AND CUBA

*Question.* Mr. Mnuchin, if confirmed, it will be up to you to administer the Nation's laws that relate to combating currency manipulation. It will also be your job to represent the United States at the IMF, the OECD, the G7 and the G20. The Nation will rely on you to use these fora to work with other countries to ensure that global currencies are valued by the markets, not distorted by government intervention.

The President, before and after the campaign, has promised that he is going to instruct you to label China a currency manipulator. This committee has put into law several important pieces of legislation to defend American jobs by combatting currency manipulation. While we all agree that China has in the past manipulated its currency—and may well do so in the future—China appears to have stopped intervening to devalue its currency in recent years and may even be taking steps to prevent depreciation.

Do you disagree with that assessment?

*Answer.* If confirmed, I intend to review the issue of Chinese currency manipulation.

*Question.* It is possible that the incoming President could issue an Executive Order instructing you to name China a currency manipulator even though China doesn't meet the statutory criteria as a manipulator. It seems to me that taking this action would undermine your credibility and the credibility of the United States when we seek to take on currency manipulation in the future. Are you advising the President to avoid taking actions that undermine the credibility of the United States?

*Answer.* Currency manipulation is a serious infraction of free trade principles and needs to be effectively addressed. As Treasury Secretary, I will ensure that we defend American jobs by combating currency devaluation utilizing the reporting and monitoring functions of the Treasury and legislative processes established by Congress.

*Question.* The President in recent days described the dollar as being too strong, and there were also reports that a senior advisor to the Trump administration expressed concern at Davos about the strength of the dollar. Shortly after those remarks were reported, the value of the dollar declined. As Treasury Secretary, will you use public statements as a tool to influence the value of the dollar?

*Answer.* As Treasury Secretary, I will maintain the position that long-term, a strong and dependable dollar is in the best interests of the United States, while recognizing that at times over the long-term, that may not be the case.

*Question.* Mr. Mnuchin, the outgoing administration put in place economic and trade sanctions to respond to Russia's actions to undermine the security and territorial integrity of Ukraine. These sanctions include cutting off U.S. trade with the Crimea region of Ukraine after Russia's annexation.

Do you agree with me that the United States must hold Russia accountable for such actions, and if confirmed, would you support continuing these sanctions as a counter to Russian aggression?

Answer. I agree that the United States must hold Russia accountable for its actions, and if confirmed I will continue to support and enforce the existing sanctions against Russia to the fullest extent. The President has indicated he would consider sanctions relief in return for other commitments from Russia.

*Question.* Mr. Mnuchin, the outgoing administration has taken a number of steps to ease the decades-long trade and economic sanctions imposed on Cuba. Those sanctions have had no positive results for the goals of the United States, and I strongly support the Obama administration's recognition that it is time for a new strategy—engagement—to make Cuba a more free and open society. In addition, there is real economic opportunity for U.S. producers in Cuba. A study by the International Trade Commission released last year points to particular opportunities for American agriculture, including dairy and wheat from the Pacific Northwest, and for goods manufactured in America, like construction machinery and building materials.

Given the lack of progress under the old strategy, and the substantial opportunities for U.S. producers, do you support past and future easing of the sanctions?

Answer. If confirmed as Secretary, I will implement and enforce Cuba sanctions pursuant to their statutory construct.

#### FINANCIAL CRIMES ENFORCEMENT NETWORK (FINCEN)

*Question.* According to news reports, U.S. law enforcement and intelligence agencies, including the Treasury Department's Financial Crimes Unit, are conducting an investigation into possible links between Russian officials and at least 3 associates of President Trump. If confirmed as the Treasury Secretary, how will you ensure that the Treasury Department Financial Crimes Unit's investigation will be free of political interference by the President or others in his administration? What measure will you put in place to ensure that the financial crimes unit fully assists the FBI's investigation, notwithstanding any potential ties to the President?

Answer. It is critical that all law enforcement investigations proceed without political interference from either the Executive or Legislative branches of the government. If confirmed, I will direct the leadership at FinCEN to continue assisting with every law enforcement investigation that it is supporting. I will not attempt to influence, direct, or prevent any outcome to a law enforcement investigation other than what the facts and evidence support. And I would direct my staff to do the same.

#### FALSE CLAIMS ACT

*Question.* You have been on the board of Kmart and Sears, respectively, since 2003. During that time, there have been four False Claims Act complaints filed against these companies contending that Kmart pharmacies defrauded Federal health-care programs, including Medicaid and Medicare. Three of these complaints have been settled. The complaints in these three cases alleged that Kmart offered improper incentives to beneficiaries to fill their prescriptions at Kmart. The complaint in the fourth case alleges that Kmart overcharged Federal health programs for drugs purchased by beneficiaries through its pharmacies. All four complaints allege that the Kmart pharmacy policies in question were approved at the corporate level. What was your role, as a board member, in reviewing and approving Kmart pharmacy policies? Did you have any role in the review or approval of the Kmart pharmacy program that is the subject of the pending False Claims Act litigation?

Answer. The Kmart-Sears board of directors did not review the policies or practices at issue in the False Claims Act. Those policies and practices were conceived and implemented by Kmart Pharmacy executives. Kmart elected to settle these False Claim Act lawsuits without conceding any liability of wrongdoing whatsoever.

#### SANCTIONS ENFORCEMENT

*Question.* As Secretary of the Treasury, you will oversee the Office of Foreign Assets Control (OFAC) which is responsible for enforcement of U.S. sanctions against persons and entities, including those in Russia. Sanctions currently exist related to Russia's actions in Ukraine. President Trump's business enterprises have reportedly included investments and overtures to Russian investors. What measures will you put in place to ensure that OFAC fully enforces U.S. sanctions notwithstanding any business interests the President may have?



Answer. As I stated during my hearing, I intend to fully enforce the existing sanctions imposed against Russia to the maximum extent. To the extent OFAC conducts Russia-related sanctions enforcement activities and investigations I will not, nor will any political appointee in the Treasury Department under my watch, attempt to influence, direct, or prevent any outcome to a law enforcement investigation other than what the facts and evidence support.

*Question.* Analysis of the beneficial ownership of anonymous shell companies place an important role in OFAC sanctions enforcement. There have been numerous examples of terrorists, human traffickers, drug cartels and other crooks abusing anonymous U.S. shell companies to hide illicit assets and launder money with impunity. Last year I introduced legislation to stop these abuses by requiring the disclosure of beneficial ownership information to each State's Secretary of State or law enforcement at the time those entities are created.

The law enforcement community, including the Federal Law Enforcement Officers Association, Fraternal Order of Police, National Association of Assistant U.S. Attorneys, and the National District Attorneys Association, have all called on Congress to pass this type of legislation. Similarly, financial institutions of all sizes—including the Clearing House Association and the Independent Community Bankers of America—have urged the government to assist them in their customer due diligence obligations by collecting beneficial ownership information at the time of incorporation.

Do you agree that better enabling law enforcement to obtain the identities of the beneficial owners of shell companies would assist sanctions enforcement and help law enforcement to uncover and dismantle criminal networks? Would you be willing to work with the bipartisan group in Congress and the financial institutions who have supported the collection of meaningful beneficial ownership information by authorities at the time of incorporation?

Answer. I agree that law enforcement anti-money laundering efforts face serious challenges if they are unable to determine the beneficial ownership of the various companies and entities that utilize the U.S. financial system. It can be a real vulnerability that various bad actors, including terrorists and criminals, can exploit. I understand that FinCEN recently passed new customer due diligence requirements that are intended in part to address beneficial ownership identification, and I will direct FinCEN to steadfastly enforce these regulations. If confirmed I will be willing to work with the U.S. Congress and the various equities impacted by beneficial ownership due diligence requirements to address this challenge.

## CFIUS

*Question.* As Secretary of the Treasury, you will oversee the Committee on Foreign Investment in the United States (CFIUS). CFIUS is authorized to review transactions that could result in control of a U.S. business by a foreign person in order to determine the effect of such transactions on the national security of the United States. A substantial amount of indebtedness incurred by the President's business enterprises is reportedly held by foreign entities. What measures will you put in place to ensure that CFIUS is able to review any transactions related to the President's business enterprises?

Answer. As Treasury Secretary, I will ensure that the Committee on Foreign Investment in the United States (CFIUS) is fully authorized to review transactions as deemed necessary and appropriate in conducting investigations.

## PBGC

*Question.* As Secretary of the Treasury, you will be on the Board of Directors overseeing the functions of the Pension Benefit Guaranty Corporation (PBGC). As discussed during the confirmation hearing, PBGC has already been engaged with Sears in actions to try to preserve the viability of the Sears pension plan covering an estimated 200,000 employees. While you have agreed to divest yourself of a number of Sears-related holdings, your ethics agreement does not include divestiture of your holdings in ESL Partners, which continues to have substantial holdings in Sears. What measures will you take concerning your personal involvement in any actions before the PBGC related to Sears or any related entity?

Answer. If confirmed as Secretary of the Treasury, I will abide by the advice of the ethics officials at the Department and will take all steps necessary to comply with that advice.

## RELATIVITY MEDIA

*Question.* While you were co-chairman of Relativity Media, did you ever participate in any meetings intended to solicit potential investors on behalf of Relativity? If so, how many such meetings did you participate in between March 1, 2015 and May 29, 2015?

*Answer.* In the period you indicated, I may have sat in with management in certain meetings to solicit potential investors in Relativity. I do not have records that indicate how many meetings that I may have participated in.

## QUESTIONS SUBMITTED BY HON. CHUCK GRASSLEY

*Question.* Over the last several years, we have seen an increase in the amount of Foreign Direct Investment (FDI) in the United States, specifically by China. In general, I do not oppose FDI, when people outside the United States invest here and create jobs, I generally think that is a very good thing. However, the rise of State Owned Enterprises (SOE) which operate in many cases on behalf of their governments, has changed the traditional FDI model. Today, we read about Chinese SOE's buying American companies specifically to acquire technology and intellectual property.

I know others in Congress have the same concerns I have about this practice. Many of us are looking at modernizing the role of the Committee on Foreign Investment or CFIUS to give it more defined powers to review and potentially block investment by SOEs.

How do you view the rise of SOEs in the global economy over the last decade?

*Answer.* If confirmed, I would take the responsibilities entrusted to the Treasury Secretary under the Defense Production Act very seriously and I look forward to working with Congress to review, modernizing, and potentially expand the powers as needed in respect to SOEs.

*Question.* In August, the Obama administration proposed regulations that generally eliminate the ability of family farms and businesses to use common valuation discounts when transferring interests to the next generation. As proposed, these regulations could increase estate and gift taxes for family owned farms and businesses by 30 percent or more. I joined Senator Thune, Chairman Hatch and several others in a letter to Secretary Lew calling for the withdrawal of the proposed regulations. As Treasury Secretary, will you review these proposed regulations and consider their withdrawal?

*Answer.* As was announced, following the inauguration, President Trump issued a freeze on new regulations, in order to allow for further review.

## QUESTION SUBMITTED BY HON. MIKE CRAPO

*Question.* Mr. Mnuchin, as you may be aware, just a few weeks ago the IRS released new regulations regarding the donation of land for conservation purposes. And some of the stories we've seen about improper appraisals and valuations of the land in some of these deals do raise some concerns. On the other hand, we also know that the government has a long history of overreaching and causing unintended consequences when trying to address a very specific issue. Along those lines, can I have your assurance that you will work with me to ensure that IRS oversight efforts on these matters do not have the unintended consequences of discouraging legitimate land and water conservation efforts?

*Answer.* If confirmed, I commit that I will work with the committee to review the integrity of the conservation easement program and will keep the committee informed about potential abuses and enforcement tools that are needed.

## QUESTIONS SUBMITTED BY HON. PAT ROBERTS

*Question.* Mr. Mnuchin, if you are confirmed, will you pledge to work with this committee to implement systems, controls, and procedures to make sure that the tax collection agency of the Federal Government can never again be used as a weapon against political opponents of any presidential administration?

Answer. If confirmed, I pledge to oversee a Treasury Department that follows the laws enacted by Congress and respects the rights of all taxpayers and organizations. I confirmed, I intend to work with the administration to establish an efficient and simple tax code that will provide equal opportunity to all and encourage growth and prosperity.

*Question.* What are your thoughts on how to make sure small business also benefit from tax reform? Do you have a proposal under development to create a lower business rate for pass-through entities? Are you considering a bifurcated rate, depending on the size of the business entity?

Answer. President Trump wants tax reform that benefits all Americans. If confirmed, I look forward to working with Congress to ensure that no individual or business organization is treated unfairly in comparison to others.

*Question.* A 2007 Treasury study during the Bush administration concluded that more-rapid write-offs of the cost of business investment would spur investment and growth more efficiently and effectively than cuts in the corporate tax rate. The reason was that cuts in the rate would give a windfall reward to investments made in the past. But improvements in cost recovery would apply to new investments. Also, as you know, higher depreciation deductions up front would be made up by reduced deductions and larger tax collections in the future. Do you agree that rapid cost recovery is a particularly efficient way to promote domestic investment?

Answer. I do agree that at times rapid cost recovery is an effective way to promote domestic investment. Growth in private business investment is a key driver of private sector job growth and must be a component of successful tax reform.

*Question.* The new President's tax proposals would give manufacturers an election to expense their capital investments, at the price of the loss of the interest deduction. Is there any compelling reason why such an election should be limited to manufacturers? How about transportation companies or communications companies or farms or extractive industries or others? Shouldn't tax reform eliminate narrow tax provisions, rather than add to them?

Answer. President Trump's proposal during the campaign should be viewed as our administration's strong kickoff in the discussion of how to best reform the broken tax code. If confirmed, I will work with Congress to craft the legislation in a manner that ensures maximum fairness and economic growth.

*Question.* Like-kind exchanges (LKEs) are integral to the efficient operation and ongoing vitality of thousands of American farms, ranches, and businesses, which in turn strengthen the U.S. economy and create jobs. LKEs allow taxpayers to exchange their property for more productive like-kind property, to diversify or consolidate holdings, and to transition to meet changing business needs because they are not required to immediately recognize a tax gain or loss when they exchange assets for "like-kind" property that will be used in their trade or business—importantly, the tax on any gain is not forgiven, only deferred. Although the use of LKEs has been allowed by the tax code since 1921, they are often mischaracterized as a "loop-hole," and some recent tax reform proposals would limit or repeal the use of LKEs. This would have a significantly negative impact on our economy by increasing the cost of capital, slowing the rate of investment, and reducing transactional activity, resulting in a decline in GDP by up to \$13.1 billion annually, according to a recent economic study by Ernst and Young.

Do you agree that farmers, ranchers, and businesses should continue to be able to use like-kind exchanges for real and personal property in order to operate efficiently, and to grow, create jobs and strengthen the U.S. economy?

Answer. I agree that farmers, ranchers, and small business should be able to use like-kind exchanges for real and personal property in order to operate efficiently, create jobs, and strengthen the U.S. economy.

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QUESTIONS SUBMITTED BY HON. MICHAEL B. ENZI

*Question.* Our Nation is on an unsustainable fiscal path. The Congressional Budget Office (CBO) makes it clear that if current laws governing taxes and spending did not change, the United States will face steadily increasing Federal budget deficits and debt over the next 30 years. In CBO's projections, Federal debt rises to 86 percent of GDP in 2026 and to 141 percent in 2046—exceeding the historical peak of 106 percent that occurred just after World War II. The prospect of such large debt

poses substantial risks for the Nation and presents policymakers with significant challenges. We need to take steps now to reform our entitlement programs and our broken tax code—to lay the foundation for long-term prosperity for all Americans.

As Budget Committee Chairman, I have been working to reduce the deficit and Federal debt. How do you expect to get the economy back to consistent 3- to 4-percent annual growth?

Answer. President Trump's plan to get the economy growing at 3 to 4 percent is based on tax reform, regulatory reform, and negotiating better trade deals.

*Question.* What role does tax reform play in revitalizing our Nation's economy?

Answer. Tax reform is essential to revitalizing our economy.

*Question.* Do you support comprehensive tax reform or tax reform for business only?

Answer. The administration supports comprehensive tax reform.

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QUESTIONS SUBMITTED BY HON. JOHN THUNE

*Question.* In the last Congress, Senator Wyden and I introduced the Charities Helping Americans Regularly Throughout the Year Act or the CHARITY Act for short. That legislation would make a number of improvements to the tax code to help charities and foundation conduct their charitable missions. But it is also based on the premise that charitable giving in this country is fundamental to our society and that Americans are among the most generous people in the world.

Mr. Mnuchin, our current tax code, for all its flaws and complexity, seeks to encourage that generosity by allowing individuals and businesses to deduct gifts to charitable organizations. Will you join me and my colleagues in ensuring that tax reform legislation preserves an effective incentive for charitable giving?

Answer. If confirmed, I will work with Congress to make sure that tax reform preserves appropriate incentives for charitable giving.

*Question.* Last September, 40 of my colleagues and I wrote to Treasury Secretary Lew to ask that he withdraw proposed regulations relating to valuation discounts under the estate tax. We stressed that if finalized, the proposed regulations would make it more difficult for owners of family farms and businesses to pass their businesses on to future generation. As a result, the proposed regulations would significantly increase the estate-tax burden on family businesses. I am hopeful that we will not see any final regulations on this issue coming out of the Treasury Department today or tomorrow.

Mr. Mnuchin, may we have your commitment that once you are sworn in as Treasury Secretary you and your staff will withdraw these valuation-discount regulations? While I share the President-elect's desire to repeal the estate tax, in the interim, I would further ask that before any new regulations are proposed on valuation discounts the Treasury Department conduct a thorough evaluation of the perceived abuses and work with the small farm and business community to develop rules that directly target the abuses without hindering the ability of the owners to pass the business on to the next generation and keep it in the family.

Answer. As you know, the President has issued a freeze on new regulations. If confirmed, I will work with Congress on the issue of valuation discounts such that it does not make it more difficult for owners of family farms and businesses to pass their businesses on to future generations.

*Question.* The Obama administration has been widely criticized for the volume and breadth of regulations its agencies imposed on Americans, and with good reason. In the tax space, the Treasury Department and IRS have imposed some of the most far-reaching and burdensome regulations, which has fallen particularly hard on businesses in this country. The poster child for many is the recently finalized debt and equity regulations under section 385. And, just yesterday, with less than 48 hours left in office, the Obama administration dropped 277 pages of proposed regulations on partnership audit rules that will have a broad impact on pass-through businesses in this country.

Mr. Mnuchin, as we work to fundamentally reform the current tax code into a less complex system for collecting the Nation's tax revenues, will you work with the Finance Committee to review the Obama administration tax regulations and other

guidance and withdraw those that are unnecessarily burdensome or inconsistent with the law?

Answer. The President has stated his commitment to reforming the tax code, and if confirmed, I will work with Congress on this issue.

*Question.* In addition to tax regulations, financial-services regulations following the passage of Dodd-Frank have affected not just Wall Street banks, but main street banks as well. These lenders play an important role in the communities they serve providing access to credit for small businesses, homeowners, and agriculture producers. In my home State of South Dakota, if not for community banks, 36 of South Dakota's 66 counties would be without traditional banking services. Yet compliance burdens for small- and medium-size banks continue to grow. In South Dakota, since 2010, 17 community banks have merged or been acquired.

In your testimony you discuss your experience in the financial-services sector and, very appropriately, your commitment to careful industry oversight. What approach will your Treasury Department take in evaluating current and future financial-services regulations and the impact they have on banks of varying sizes—and in particular community banks?

Answer. I am of the view that taking a fresh look at all aspects of the Dodd Frank legislation should be one of our highest priorities, and if confirmed, I look forward to working with Congress on this important priority. It is important that we have a regulatory environment that support credit flows to all aspects of our economy, particularly in rural and less populated areas, and that small- and mid-sized institutions are not suffering from an inappropriate regulatory burden.

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QUESTION SUBMITTED BY HON. JOHNNY ISAKSON

*Question.* The Internal Revenue Service has issued a number of regulations, guidance documents, and notices over the last several months. For example, on October 4, 2016, the IRS issued a revised notice of proposed rulemaking (REG-163113-02) concerning the valuation of interests in corporations and partnerships for purposes of estate, gift, and generation-skipping taxes. On November 1, the IRS issued Notice 2016-66 requiring taxpayers to submit additional information regarding certain captive insurance transactions. This notice originally set an effective date of January 30, 2017, although I was pleased that the IRS agreed to extend this deadline by 90 days to allow for consideration of feedback from taxpayers. Additionally, on December 23, 2016, the IRS issued Notice 2017-10, effectively prohibiting certain types of syndicated conservation easement transactions by designating them as listed transactions. I have heard from several of my constituents who have questions or concerns about each of these IRS actions and are interested in knowing whether they will be carried over by the new administration.

If confirmed as Secretary, what would be your approach to proceeding forward with regulations and sub-regulatory guidance issued by the IRS or other Treasury Department agencies in the final months of the outgoing administration?

Answer. On Day One, President Trump issued a freeze on new regulations to allow for further review.

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QUESTIONS SUBMITTED BY HON. DEAN HELLER

*Question.* How many Nevada homes were in OneWest Bank's portfolio?

Answer. Because I am no longer employed by or affiliated with CIT Group, I do not have access to this information.

*Question.* How many Nevadan's did OneWest Bank foreclose on while you owned the bank?

Answer. Because I am no longer employed by or affiliated with CIT Group, I do not have access to this information.

*Question.* How many Nevadan's did OneWest Bank provide assistance to through loan modifications or forgiveness?

Answer. Based on public information published in the MHA Servicer Assessment, in the period from 2009 to mid-2013 OneWest offered a total of 101,000 modifications to customers nationally. This period commences in the beginning of 2009 when

the HAMP program commenced (which is approximately when OneWest was acquired in March 2009). Based on the percentage of loans modified nationally in the MHA Service Assessment that are in Nevada being 2.1%, that would indicate that we would reasonably estimate that OneWest modified 2,150 loans in Nevada in the period from 2009 to mid-2013.

*Question.* Did OneWest Bank specifically target minority communities in Nevada for foreclosures?

*Answer.* No. During my tenure, OneWest Bank completed fair lending examinations (including examinations of our servicing and loss mitigation activities) conducted by both the Office of the Comptroller of the Currency (“OCC”) and the Consumer Financial Protection Bureau. In addition, an OCC examination of the Community Reinvestment Act compliance of OneWest Bank under my leadership found that our “geographic distribution of loans [was] excellent,” our performance under the OCC’s Lending Test was “high satisfactory,” both home mortgage refinance and home purchase lending were “excellent,” and our multifamily lending activities were “good.” Overall, “the OCC did not identify any evidence of discriminatory or other illegal credit practices with respect to” OneWest Bank.

*Question.* Was it an objective of OneWest Bank to foreclose on Nevadans in order to receive compensation from the Federal Deposit Insurance Corporation shared loss agreement?

*Answer.* No, it was not the objective of OneWest to foreclose on Nevadans in order to receive compensation from the FDIC. We were strongly incentivized to modify every loan we possibly could. As I indicated in my testimony before the committee, anyone who asserts that we profited from foreclosures over loan modifications does not understand the issues.

*Question.* Why was OneWest Bank slow to reach out to distressed Nevada homeowners to offer loan modifications or forgiveness?

*Answer.* OneWest was not slow to reach out—on the contrary, OneWest has been singled out by housing advocates and others as one of the earliest adopters of loan modification programs, before other banks began modifying loans at scale. As the former executive director of HOPE NOW noted in supporting my nomination, OneWest under my leadership was one of the first banks to adopt principal reductions as a modification option, and we were also one of the first banks to agree to modify second mortgages, which were of particular concern in Nevada.

*Question.* How will you help Nevadans who lost their home during the housing crisis become homeowners again?

*Answer.* As Treasury Secretary if confirmed, I will work with bank regulators where appropriate to make sure that banks continue loan modification programs.

*Question.* What will you be doing to help Nevadans who continue to struggle to make payments on their mortgages?

*Answer.* I will work with your staff to discuss what tools, if any, the Treasury may have to address this issue.

*Question.* During your confirmation hearing you mentioned several Federal regulations that prevented you and OneWest Bank from offering loan modifications. As the U.S. Treasury Secretary will you actively fight to change some of the regulations you believe could help Nevada homeowners who are currently struggling to stay in their homes?

*Answer.* The impediments I mentioned before the committee were not Federal regulations per se, but contractual limitations in investor agreements and Fannie Mae and Freddie Mac guidelines that limited the ability of servicers to modify mortgage loans. I will work with the bank regulators, where appropriate, to encourage and allow loan modifications going forward.

*Question.* What reforms do you plan to undertake to protect lower-income and minority neighborhoods from another housing crisis?

*Answer.* I favor developing a clear housing finance policy which should include clarification of the role of the Federal Government in lending and oversight of lending practices. I support the administration’s strategies that will promote economic growth which will help drive demand for housing and support housing prices.

*Question.* What policies will you promote that will help boost home values and ensure middle-class homebuyers have access to affordable mortgage financing?

Answer. As I have mentioned previously, I am in favor of reforming our housing finance policy to assure consumers access to mortgage credit, while protecting the interests of taxpayers in Federal programs.

*Question.* What initiatives will you propose that encourage the development of affordable housing in Nevada?

Answer. As appropriate as Treasury Secretary if confirmed, I will review affordable housing programs in Nevada and elsewhere.

*Question.* What specific changes to Dodd-Frank would be your top priority, and do you believe that reforms will lead to economic growth that will create more jobs?

Answer. My top priority for regulatory reform with Dodd-Frank is addressing regulatory issues that limit banks' abilities to lend to small and medium-sized business that will create economic growth and create more jobs.

*Question.* Will you pledge that you will never allow taxpayer dollars to ever be used to bailout failed large financial or Wall Street firms?

Answer. I favor shifting the burden of risk to shareholders and other creditors without the expectation that the Federal Government will act to bail them out.

*Question.* What do you believe should be done with Fannie Mae and Freddie Mac? What is your vision for housing finance reform?

Answer. As I have previously mentioned, I am in favor of a clear housing finance policy to benefit both homeowners and renters. Important elements of my vision for housing finance reform include increasing private sector participation and protecting taxpayers. The passage of over 8 years since entering conservatorship combined with the broad recovery in housing prices make this a very good time to relook at the GSEs and adopt a clearer, long-term housing finance policy. I look forward to having the opportunity to work with Congress on this important goal.

*Question.* It's not a secret that I strongly oppose the Obama administration's nuclear deal with Iran and expect action on that issue from the incoming administration. Iran is a state sponsor of terrorism that threatens Israel's right to exist, continues to test ballistic missiles in violation of UN resolutions, and now has access to billions of dollars that it can freely provide to terrorist groups.

What tools as Treasury Secretary will you use, whether it is through the tax code or through sanctions, to hold Iran accountable for its state sponsorship of terrorism and other illicit activities?

Answer. If confirmed as Treasury Secretary, I will commit to enforce all sanctions or other tools that are in place with Iran to the maximum extent allowable by law.

*Question.* I would like to discuss the IRS's abysmal service record. For the 2015 filing tax season, only 38 percent of callers were able to reach an IRS representative. Additionally, the IRS has not developed any plans for a comprehensive customer service strategy to address these problems. Last year, I asked Secretary Lew this question, but I would like to understand from you, as the ultimate overseer of this agency, how will you plan to improve this record?

Answer. As I mentioned in my testimony in the confirmation hearing, I believe that the IRS is under-resourced to perform its duties. Once in office, I would endeavor to work with the Commissioner to better understand the deficits in the organization, which may well include factors that contribute to the customer service issues that you note. While it is an independent Bureau I would endeavor to work with the Commissioner and Congress, as necessary, to improve the performance of the IRS including advocating for additional resources, if necessary.

*Question.* I am deeply concerned about the continual reports of U.S. companies relocating overseas. I believe this is another example of our burdensome tax code hurting the U.S. economy. With the rest of our foreign competitors lowering their corporate tax rates while implementing a more competitive international tax system, the United States is falling further behind in its ability to provide U.S. businesses and workers the tools they need to compete in the global marketplace. This is why I believe we need to address fundamental tax reform, including overhauling the international tax code, immediately. As a member of this committee, I have repeatedly called on the committee to address this issue and am pleased to see they have held several hearings in regards to international tax reform.

What policies do you believe are critical to address our outdated international tax code?

Answer. Our tax and international trade policies must work together to ensure that companies stay here in the U.S., create new jobs, and return production to the United States. Our companies cannot be competitive if our tax and trade policy encourages them to move production outside the United States. It must be the objective of our tax and trade policy to return those jobs to our shores.

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QUESTIONS SUBMITTED BY HON. BILL CASSIDY

HISTORIC TAX CREDIT

*Question.* While the historic rehabilitation tax credit is administered by the Department of Interior, the economic and fiscal activity this incentive generates has positive impacts for our economy as a whole, which you, as Treasury Secretary, will be helping to oversee. Forty percent of historic tax credit projects are in smaller communities of less than 25,000 people. My home State of Louisiana has led the Nation in a number of projects that have been assisted by this successful public-private economic development incentive, and I'm proud to report it has been used in 33 towns and cities throughout my State, including dozens of smaller communities. Furthermore, a number of projects in smaller communities throughout Louisiana are currently underway. The historic credit is a major generator of jobs and leads to economic revitalization in main street communities, rural towns, and downtowns. A study commissioned by the National Park Service found the credit delivers \$1.25 in new tax revenue for every \$1.00 of credit, which shows that on a dynamic basis, the program is more than paying for itself.

As Treasury Secretary, will you give special attention to this proven and successful public-private economic development incentive that is having a very positive impact in smaller communities throughout America and in the urban areas that President-elect Trump spoke of reviving during the election?

Answer. If confirmed, I pledge to follow the community improvement initiatives. President Trump is committed to a comprehensive tax reform plan and, if confirmed, I will work with Congress to incorporate proposals that will have a positive impact on the largest number of Americans.

SECTION 170(H)

*Question.* The tax code provides an incentive for the donation of easements that preserve land. This incentive, which has facilitated the protection of over 50 million acres of American land, was permanently increased on a bipartisan basis in 2015. On December 23, 2016, without the opportunity for public comment, the IRS and Treasury published Notice 2017-10 that designates a very broad category of these donations as "tax avoidance transactions." Because the Notice does not distinguish between legitimate donations and the instances of taxpayer abuse, the Notice will chill land preservation donations and will thwart this important congressional effort to join private resources with a public incentive. This issuance of this Notice seems to fit into the pattern of 11th hour regulations and actions taken by the Obama administration across the board, without giving the incoming administration an opportunity to review them.

Are you willing to delay the effective date of this Notice so that a thorough review can occur?

Answer. On Day One, President Trump issued a freeze on regulatory actions. If confirmed, one of my priorities will be to assess any "11th hour" regulations to ensure that they comply with President Trump's policies.

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QUESTIONS SUBMITTED BY HON. DEBBIE STABENOW

*Question.* When countries break international law and artificially undervalue their currency, it has real consequences for the United States. Currency manipulation has harmed manufacturers in States like Michigan and cost American workers millions of jobs. During consideration of Trade Promotion Authority in 2015, I introduced an amendment with my colleague, Senator Portman, to add clear language requiring our trade agreements to include enforceable currency provisions.

Will you commit to supporting the inclusion of strong and enforceable currency provisions in future trade agreements?



Answer. Yes, I support the inclusion of strong enforcement provisions in future trade agreements.

*Question.* What specific steps will you take on currency manipulation issues?

Answer. Existing U.S. laws provide the procedures whereby the U.S. Treasury is to evaluate the currency policies of foreign nations. If I am confirmed, I will follow the procedures and recommend changes to those procedures if needed.

*Question.* You have said trade reform is a top agenda item for the incoming administration. As you know, the Treasury and Commerce Departments work with the Office of the U.S. Trade Representative on trade enforcement efforts. As I have stated before, if we don't toughen enforcement of our existing trade agreements, then we're letting other countries get away with illegal and abusive foreign trade practices and gain an anti-competitive upper hand. I worked hard to make sure President Obama's Interagency Trade Enforcement Center at USTR would be made a permanent institution to enforce our trade agreements and address unfair trade practices.

What specific steps are you going to take to enhance trade enforcement?

Answer. Enforcement of commitments under international trade agreements is critical. I will work closely with the Secretary of Commerce, the Director of the White House National Trade Council and the U.S. Trade Representative to ensure our trade agreements put American interests first. and work to enhance trade enforcement as appropriate.

*Question.* Will you continue to support the work of the Interagency Trade Enforcement Center?

Answer. As indicated above, we will use whatever tools necessary to enforce trade agreements.

*Question.* Last year, volunteer tax preparers helped return \$74 million in refunds, including \$22 million in EITC benefits, to nearly 92,000 Michiganders. They do this with an exceptionally high accuracy rate—about 94 percent.

Do you support volunteer income tax preparation programs?

Answer. I will work with your office to review the issues associated with volunteer income tax assistance grant programs.

*Question.* Will you support authorization of the Volunteer Income Tax Assistance grant program?

Answer. I will work with your office to review the issues associated with volunteer income tax assistance grant programs.

*Question.* The data shows that moderate- and low-income families need a more effective and better-targeted tool so that the tax code helps unlock homeownership for them. In Michigan, only 10% of households below \$75,000 claim the mortgage interest deduction—but more than half of households above \$75,000 do.

How do you propose we use the tax code so that it more effectively promotes homeownership for more middle-class and lower-income families?

Answer. With comprehensive tax reform and housing reform, we will work to promote home ownership for middle- and lower-income families, as appropriate.

*Question.* Since 1917, the tax code has included incentives to encourage taxpayers to engage in charitable giving to causes that benefit their communities and causes that are important to them.

Do you support maintaining existing incentives for charitable giving in the tax code, such as the charitable deduction?

Answer. Senator, I would generally support the traditional attributes of tax policy related to charitable giving.

*Question.* Some tax reform proposals to date have suggested eliminating Last In, First Out (LIFO) accounting. Many Michigan businesses—large and small, publicly held and privately owned—rely on the Last In, First Out (LIFO) accounting method. However, LIFO repeal would result in a one-time realization of revenue and retroactively punish taxpaying businesses that have complied with current tax law.

Do you support maintaining LIFO accounting?

Answer. As part of any comprehensive tax reform, we will study and consider the impact of this issue.

*Question.* If confirmed, you will become the head of the Committee on Foreign Investment in the United States (CFIUS)—an interagency committee that serves the President in overseeing the national security implications of foreign investment in the economy.

Do you believe the CFIUS process needs to be reformed?

If yes, are you committed to working with Members of Congress to reform and modernize the CFIUS process to ensure all sectors of the economy are represented?

Answer. As Treasury Secretary, I will ensure that the Committee on Foreign Investment in the United States (CFIUS) is fully authorized to review transactions as deemed necessary and appropriate in conducting investigations.

*Question.* Another difficult issue you will play a leadership role in if you are confirmed as Treasury Secretary is pensions. This is an incredibly important issue to my State, particularly because we have about 47,000 workers and retirees who have been paying into the Central States Pension Fund, which is in serious trouble.

What is your position on the Multiemployer Pension Reform Act, which Treasury is responsible for administering?

How do you propose to shore up our multiemployer pension system?

Answer. You have my commitment to work with you to find solutions to the multi-employer pension crisis.

*Question.* Our tax code clearly provides too many loopholes that allow companies and wealthy individuals to avoid paying their fair share through tax planning.

What do you think is the best strategy for preventing tax reform from creating new loopholes that companies and individuals will abuse?

How would the incoming administration's tax plan close loopholes?

Answer. As part of our overall plan for tax reform, we will consider this issue, and I look forward to consulting with Congress on the matter if confirmed.

*Question.* I firmly believe that we cannot have a robust economy if we do not grow things here and make things here.

How would the incoming administration's tax plan specifically help the manufacturing and agriculture sectors?

How would you contrast that with how the House Republicans' tax plan would affect the manufacturing and agriculture sectors specifically?

From your perspective, how would eliminating the deductibility of business interest expenses impact these sectors?

Answer. I entirely agree with your belief that we must improve the prospects of domestic manufacturing if we are to have a robust and dynamically growing economy. I look forward to working with Congress to examine and include tax provisions that will allow us to reach our common objective of growing the economy.

*Question.* We can all agree that the lockout effect is a major problem with respect to international tax reform.

Do you support using revenue from a one-time deemed repatriation to pay for infrastructure?

Answer. President Trump has set forth a robust tax reform proposal which includes provisions to encourage American businesses to repatriate earnings. President Trump is committed to the need for infrastructure investments and we will be reviewing various alternatives to fund this. We look forward to working with Congress to review various alternatives to fund this.

*Question.* What is the source for your suggestion that there might be as much as \$3 trillion or \$4 trillion in unrepatriated earnings overseas?

Answer. In August 2016, the Joint Committee on Taxation estimated that there were \$2.6 trillion of post-1986 profits held offshore in 2015. I believe that, given growth, that number now likely exceeds \$3.0 trillion.

*Question.* Back in November, you said that you want to get tax reform passed in the first 90 days of Donald Trump's presidency.

Do you still think this is realistic?

Answer. If confirmed, my first priority shall be to work with Congress to pass tax reform as quickly as possible.

*Question.* Do you think it is possible to meet this aggressive timeline and still have a bipartisan process that members of Congress will have opportunities for input into?

Answer. If confirmed, I will immediately seek input on a bipartisan basis.

*Question.* Do you think the Treasury Department, including the Tax Policy Office, will be adequately staffed in time to meet that objective?

Answer. It will be our priority to make sure that we have the resources to accomplish this.

*Question.* For years, I have called for toughening enforcement of existing trade agreements. If we don't enhance enforcement, then we are allowing countries to get away with abusive trade practices and we're letting them gain an anti-competitive upper-hand.

I have worked for several years to improve monitoring and enforcement at USTR to protect the interests of U.S. manufacturers. We now have an Interagency Trade Enforcement Center that monitors our trade agreements.

What specific steps would you take in your role to enhance trade enforcement?

Answer. Enforcement of commitments under international trade agreements is critical. We must also negotiate trade agreements that focus specifically on benefiting American companies, American jobs, and American economic growth. I will work closely with the Secretary of Commerce, the Director of the White House National Trade Council, and the U.S. Trade Representative to ensure our trade agreements put American interests first, and that they are enforceable.

*Question.* How do you plan to stand up to abusive trade practices and cheating?

Answer. I will work with the Secretary of Commerce, the Director of the White House National Trade Council, and the U.S. Trade Representative to examine all of our trade policies and current trade agreements. Those agreements that do not adequately address the interests of American companies and American jobs must be re-negotiated. There are numerous tools, created by Congress, that can be and must be more effectively used to address unfair trade practices and end trade cheating.

*Question.* Since 2006, an enhanced income tax deduction has allowed family farmers, ranchers, and forest landowners to get an important tax benefit for donating a conservation easement on their land. This enhanced incentive was made permanent on December 18, 2015.

These incentives have a long history of bipartisan congressional and administration support. Unfortunately, the availability of these tax benefits can attract those who seek to take advantage of the provision for tax avoidance.

On December 23, 2016, the IRS issued Notice 2017-10 to make certain syndicated conservation easement transactions "listed transactions" and require them to be disclosed to the government.

It is clear that we need to strike an appropriate balance between making sure that conservation easements cannot be abused while still making sure that landowners who want to engage in legitimate transactions are not deterred from doing so.

Will you commit to work with us to protect the integrity of the conservation easement incentive?

Will you keep this committee informed about any abuses and whether additional enforcement tools are needed to curb these abuses?

Will you work with this committee to ensure that any abuses of the conservation easement incentive will be appropriately addressed?

Answer. I commit that I will work with the committee to protect the integrity of the conservation easement program and will keep the committee informed about potential abuses and enforcement tools that are needed.

## QUESTIONS SUBMITTED BY HON. MARIA CANTWELL

*Question.* During the hearing, you stated that the administration does not support a return to Glass-Steagall, but rather supports a “21st Century Glass-Steagall.”

I have cosponsored, along with Senators Warren and McCain, the 21st Century Glass-Steagall Act, which builds on the original law’s bright line separation of commercial and investment banking and expands it to include separation of derivatives trading and other shadow banking activities. Does the administration support this legislation?

*Answer.* The administration believes that any new financial services legislation should reflect the reality of today’s financial institutions and markets.

*Question.* If not, can you please clarify, in detail, the administration’s definition of a “21st Century Glass-Steagall?”

*Answer.* I look forward to working with your office as we work on the appropriate legislation.

*Question.* At your hearing, you stated that you support the Volcker rule and “believe the concept of proprietary trading does not belong in banks with FDIC insurance.” The risks to our economy posed by proprietary trading and banks making risky bets on behalf of customers cannot be mitigated by merely separating proprietary trading from FDIC-insured institutions. As we saw during the financial crisis, when non-banking affiliates of FDIC insured banks failed, they were rescued by their insured affiliates, which in turn were forced to be rescued by taxpayers. This was the case with State Street Bank, and your former employer, Goldman Sachs, which converted to a bank holding company in order to be eligible for Federal bail-out funds.

Do you believe that a legal distinction between two entities, one insured and the other not, would keep the risky activities of one from impacting another in a crisis? Would a bright-line between these activities not better mitigate these risks?

*Answer.* I am supportive of the Volcker Rule to mitigate the impact that proprietary risk-taking may have on a bank that benefits from Federal deposit insurance. However, as I indicated, we need to provide a proper definition of proprietary trading, such that we do not limit liquidity in needed markets, as indicated by the recent Fed report.

*Question.* In your response to me regarding the Volcker Rule, you stated, “I support the Volcker rule, but there needs to be proper definition around the Volcker rule so that banks can understand exactly what they can do and what they can’t do.” You have also called the Volcker rule “too complicated” in previous comments to the media.

Would a bright line between commercial and investment banking not be significantly less complicated and allow banks to understand exactly what they can and cannot do?

*Answer.* A bright line between commercial and investment banking, although less complicated, may inhibit the necessary lending and capital markets activities to support a robust economy. This is why we have suggested a 21st Century Glass-Steagall may be appropriate.

*Question.* Do you plan to repeal, further delay, or significantly modify the Volcker Rule?

*Answer.* As Chair of FSOC, I would plan to address the issue of the definition of the Volcker Rule to make sure that banks can provide the necessary liquidity for customer markets and address the issues in the Fed report.

*Question.* If you plan to repeal or modify the Volcker Rule, will you commit that Congress will have the chance to review your replacement proposal at the same time, so that we may ensure that it credibly protects investors and taxpayers?

*Answer.* I would expect to review with Congress any proposed changes to the law.

*Question.* What additional actions will you take as Treasury Secretary to ensure market/financial stability? What other regulations would help market stability? Do you believe that additional regulations to ensure market stability and prevent financial crisis are in the interest of “public safety”?

Answer. I do not believe at this time that additional regulations are needed to ensure market stability; however, I expect that we will review this issue at FSOC on an ongoing basis.

*Question.* In 2014, Congress slipped a repeal of section 716 of the Dodd-Frank Act in the “Cromnibus” legislation. This provision ensured that big banks making risky derivative bets wouldn’t be done out of insured deposits. These trades increase risks for these banks and for taxpayers, and are anti-competitive, as these banks are free to market and trade these products knowing they are subject to a Federal backstop. You mentioned that you “believe the concept of proprietary trading does not belong in banks with FDIC insurance.”

Would you support a reinstatement of this provision?

Answer. I think relooking at the nature of the regulation of trading and proprietary risk-taking at banks is an important objective. I look forward to studying this particular issue in detail.

*Question.* The Senate’s Permanent Subcommittee on Investigations, as well as the Financial Crisis Inquiry Commission, both found that one of the more insidious causes of the financial crisis was that some Wall Street banks, and particularly Goldman Sachs, had created securities that were designed to fail for their investors, and then bet against them by going short. Goldman created and sold billions of dollars in securities that they knew were, in their own words “crap,” but told their customers that these securities were the safest of the safe. Those customers lost big while Goldman won big.

I worked with Senators Merkley and Levin to add section 621 to the Dodd-Frank Act to prevent this from happening again. It prohibits a bank from betting against an asset-backed security that it creates. Despite being proposed more than 5 years ago, the rule is not yet finalized.

If confirmed, will you commit to finalizing this rule, and if not, how would you plan to restore trust in our markets when this sort of self-dealing behavior is allowed?

Answer. I do understand the issue that you are trying to address by such rule. I do believe that “short selling” is an integral part of risk management. The specific reference to developing “short positions” as part of structured securities offerings, particularly when linked with a proprietary bet by the arranger of such transactions, is certainly worth considering when developing adequate investor protections and robust investor disclosure.

*Question.* Do you believe your former employer, Goldman Sachs, acted responsibly and ethically when it bet against the same securities it was selling to its customers?

Answer. As I mentioned in my testimony, I left Goldman Sachs nearly 15 years ago and prior to the financial crisis and the period of time in question. I am not in a position to comment on these actions.

*Question.* We have had a long tradition in this country that banking activities should be separated from physical commerce. Recently, the Federal Reserve issued a report required under section 620 of the Dodd-Frank Act report, recommending that Congress take action to prohibit banks from engaging in merchant banking activities and owning certain physical commodities.

Would you support restoration of separation between banking activities and commerce to support competition and reduce risks?

Answer. If confirmed, I would further study section 620 to address the issues of your concern.

*Question.* Many of us were disappointed when the Commodities Futures Trading Corporation chose in December to repropose its position limits rule, which was required under section 737 of the Dodd-Frank Act.

Do you believe that in the absence of a position limits rule, an individual would have the potential to control or manipulate a market and lead to excessive speculation and unwarranted price fluctuations in important markets like energy?

Answer. If confirmed, I would further study section 737 to address the issues of your concern.

*Question.* Do you believe there should be a strong position limits rule in order to prevent market manipulation? Will you work with the CFTC to ensure a strong rule is finalized?

Answer. It is clear that there should be no opportunity for market manipulation in any of our equity, fixed income, commodities or derivative markets. I would of course work with all members of the FSOC, including the CFTC, to enforce regulatory practices that reinforce this view.

*Question.* In your role on the Financial Stability Oversight Council, will this be an issue that will be a priority for you?

Answer. See answer to question above.

*Question.* You stated in your response to me that “the unemployment rate is not real.”

Can you clarify what you meant by this statement?

Answer. The official unemployment rate (total unemployed, as a percentage of the civilian labor force), taken alone, is not a sufficient indicator of labor market health. A real understanding of labor market health necessitates taking into account various Bureau of Labor Statistics (BLS) measures of labor underutilization, including U-5 (defined by the BLS as “total unemployed, plus discouraged workers, plus all other persons marginally attached to the labor force, as a percent of the civilian labor force plus all persons marginally attached to the labor force”). Another critical tool to determining the real state of labor market health is BLS’s labor force participation rate.

*Question.* Do you believe that the United States should use a different measure of unemployment than the U-3 rate? If so, why?

Answer. In order to inform fiscal policy decisions, the U.S. should employ a variety of metrics to gauge the health of the economy and the broader labor market. Currently, excessive influence appears to be placed by U.S. policymakers on one metric—U-3 (total unemployed, as a percentage of the civilian labor force), which ignores the massive drop in labor force participation that occurred during the Obama administration, and fails to include discouraged workers or persons just marginally attached to the labor force.

*Question.* Isn’t it true that by any measure that the Bureau of Labor Statistics uses to track unemployment, the rate has fallen dramatically over the last 8 years?

Answer. Both the labor market participation rate and the unemployment rate have fallen dramatically over the last 8 years, which suggests many Americans have given up looking for work. To be “unemployed,” according to BLS’s definition, only includes “people who are jobless, actively seeking work, and available to take a job.” If an individual ceases to actively seek work, then both the labor force and the number of unemployed Americans decreases by one. So while the unemployment rate has fallen, given the concurrent drop in labor force participation to near-historic lows, the downward trend in unemployment does not necessarily reflect improving labor market health.

*Question.* During the campaign, President Trump said the unemployment rate was a “phony number” and stated that the real rate could be closer to 42 percent. Do you agree with this statement? Do you believe that official government unemployment statistics should count retirees, college students, and stay-at-home parents as unemployed?

Answer. If one hopes to gain a clear picture of American labor market vitality, then using one metric—whether that be the U-3 unemployment rate or the labor force participation rate—is not sufficient. Various unemployment metrics, including those which take into account part-time employment for economic reasons, as well as persons who are marginally attached to the labor force, must be used, along with the labor market participation rate, which takes into account those who drop out of the labor force.

*Question.* In 2014, the United States and our European partners put targeted sanctions on Russian individuals and entities responsible for violating the sovereignty and territorial integrity of Ukraine. These sanctions came after Russia had invaded and occupied Crimea and was supporting conflict in Eastern Ukraine. These sanctions were intended to promote a resolution to that conflict and over the last several years the United States and Europeans have expanded the list of Russian individuals, companies, and banks that are sanctioned to ramp up pressure.

Recently, Mr. Trump has said he would consider reducing sanctions on Russia if it significantly reduces its nuclear stockpile. He said nothing about working to end the conflict in Ukraine.

Our European allies have maintained sanctions against Russia even when it has come at a direct impact on their businesses and economies. If we lift them before the Ukraine conflict is resolved or for reasons unrelated to that conflict, what message are we sending to our allies? What message are we sending to Russia?

Answer. I agree that the United States must hold Russia accountable for its actions, and if confirmed I will continue to support and enforce the existing sanctions against Russia to the fullest extent. The President has indicated he would consider sanctions relief in return for other commitments from Russia.

*Question.* While we all want to work towards reducing nuclear weapons stockpiles around the world, including in Russia, will the Trump administration maintain sanctions related to the Ukrainian conflict until that actual conflict is resolved? If not, why not? What has changed that should change U.S. policy that has been strongly supported by the U.S. Congress?

Answer. As I stated during my hearing, I intend to fully enforce the existing sanctions imposed against Russia to the maximum extent. To the extent OFAC conducts Russia-related sanctions enforcement activities and investigations I will not, nor will any political appointee in the Treasury Department under my watch, attempt to influence, direct, or prevent any outcome to a law enforcement investigation other than what the facts and evidence support.

*Question.* The Export-Import Bank, the export credit agency of the United States, is without a quorum on the Board of Directors and therefore unable to do deals over \$10 million. In 2014, the Bank authorized more than \$20 billion in export financing and supported almost 165,000 American jobs. However, last year, because it did not have a quorum, it was only able to do a fraction—authorizing \$5 billion in financing and supporting 52,000 jobs. The Bank has been without a quorum despite having broad bipartisan support in both chambers as demonstrated when it was reauthorized by a supermajority in 2015.

Given the Bank's ability to reduce risk and help American manufacturers stay globally competitive, do you agree that the Export-Import Bank should be fully operational? Do you agree that a working quorum is needed as soon as possible for American job growth?

Answer. I do believe that a quorum is necessary to properly use the Export-Import Bank. A critical focus of the administration will be to support an America First trade agenda, including supporting small and medium-sized business.

*Question.* Last year, volunteer tax preparers helped return \$97 million in refunds, including \$26 million in EITC benefits, to nearly 76,000 Washingtonians.

Do you support Volunteer Income Tax Assistance programs?

Answer. I will work with your office to review the issues associated with Volunteer Income Tax Assistance grant programs.

*Question.* VITA volunteers have a 94% return accuracy rate. Will you support authorization of the Volunteer Income Tax Assistance grant program, as passed by the Finance Committee last year?

Answer. I will work with your office to review the issues associated with Volunteer Income Tax Assistance grant programs.

*Question.* I understand the administration plans to pay for tax reform, in part by eliminating "special interest deductions." As we discussed at the hearing, while I share the goal of a competitive tax code, competitiveness for me is not just measured by what the top rate is. It's a measurement of how much we are using the tax code to incentivize investments in our workers and our country.

Please tell me if you consider the following provisions of tax code special interest deductions.

The Low Income Housing Tax Credit—a provision the chairman, ranking member, and I strongly support expanding, that has financed nearly 3 million affordable homes for low-income working families since its creation in the last comprehensive tax reform, that sustains nearly 100,000 jobs annually.

Answer. If confirmed, I will work with Congress to determine which tax credits or deductions warrant retention, modification, or elimination in order to maximize economic growth and job creation.

*Question.* The New Markets Tax Credit—which has leveraged nearly \$75 billion in total capital investment in low-income urban and rural communities across the country.

*Answer.* If confirmed, I will work with your office to review the New Markets Tax Credit program.

*Question.* The Deduction for Charitable Giving—which has since 1917 incentivized Americans to support charitable causes.

*Answer.* If confirmed, I will work with Congress to make sure that tax reform preserves appropriate incentives for charitable giving.

*Question.* The Exclusion for Municipal Bond Interest—which lowers borrowing rates for our local communities, allowing them to invest more in the infrastructure that we need.

*Answer.* The President is committed to rebuilding America's infrastructure. If confirmed, I will work with Congress to determine the role of tax-exempt financing vehicles under that plan and as part of broader tax reform.

*Question.* The Research and Development Tax Credit—to incentivize the important technological innovation that creates good-paying jobs here in America.

*Answer.* The Research and Development Tax Credit can be an important tool for technological innovations and creating good paying jobs in America, where appropriate.

*Question.* The Exclusion of State Sales Tax—my State is one of only seven States that does not have an income tax. We struggled to make this provision permanent until we succeeded in 2015. The deduction delivers about \$600 on average to each of my constituents who file Federal income tax returns.

*Answer.* I know this is an important issue in many States. I will work with you and your colleagues on this issue.

*Question.* Conservation Easements—which allow a deduction for the donation of easements that preserve land. This incentive, which has led to the protection of over 50 million acres of American land, was increased and made permanent on a bipartisan basis in 2015. Do you believe that golf courses should be eligible for conservation easements?

*Answer.* I commit that I will work with the committee to protect the integrity of the conservation easement program and will keep the committee informed about potential abuses and enforcement tools that our needed.

*Question.* You have stated that there will be “no absolute tax cut for the upper class” through tax reform. Will you support a tax cut for the upper class outside of tax reform, such as the potential repeal of the Affordable Care Act's additional Medicare Hospital Insurance tax of 0.9% on earnings over \$250,000 a year and the Medicare surtax of 3.8% on unearned income above \$250,000 a year?

*Answer.* As you are probably aware, the President has proposed eliminating the Medicare surtax. If confirmed, I will work with Congress to reach an appropriate resolution to this issue.

*Question.* Do you believe that climate change is real and that human activity is the primary driver of it?

*Answer.* I believe that climate change is a complex issue, but not one primarily driven by the Treasury Department.

*Question.* Do you believe that tax policy and tax reform should play a significant role in the continuing development of clean energy technologies to prevent climate change?

*Answer.* I will work with Congress to review the role of tax policy in continuing the development of clean energy techniques.

*Question.* Do you support a repeal of tax incentives for oil companies, including the section 199 deduction for oil and gas companies, expensing of intangible drilling costs, and percentage depletion?

*Answer.* If confirmed, I will work with you and members of Congress to determine which provisions of the tax code should be retained, eliminated, or revised.

*Question.* Do you believe that tar sands oil should be included in the definition of crude oil that is subject to the Oil Spill Liability Trust Fund tax?



**Answer.** If confirmed, I will work with Congress and the President on how these definitions should be properly applied.

*Question.* Do you support Notice 2013-60 issued by the IRS on September 20, 2016 to clarify the commence construction/continuous construction safe harbor for the production and investment tax credits?

**Answer.** If confirmed, I will work with Congress to determine which provisions of the current tax code should be retained, revised, or eliminated.

*Question.* Do you support efforts to improve the ability of developers to monetize the section 45 and section 48 production and investment tax credits? Do you think the need for improved monetization will increase as these credits phase down?

**Answer.** If confirmed, I will work with Congress to determine which provisions of the current tax code should be retained, revised or eliminated.

*Question.* During the first 11 months of 2016, U.S. biodiesel imports totaled 597.74 million gallons, up 93% from the same period in 2015. Do you support bipartisan legislation introduced by Senator Grassley and me to convert the Biodiesel Tax Credit from a blender's tax credit to a production tax credit to stop the subsidy of foreign biodiesel and create jobs in America?

**Answer.** If confirmed, I will work with Congress to determine which provisions of the current tax code should be retained, revised, or eliminated.

*Question.* Do you support the extension of expired clean energy tax breaks, including incentives for fuels, energy efficient new home and commercial building construction, and building retrofits?

**Answer.** If confirmed, I look forward to working with Congress on the role of energy credits.

*Question.* Do you believe all technologies, including hydropower, should receive the same tax credit rate under the production tax credit?

**Answer.** If confirmed, I look forward to working with Congress and the President to determine which technologies should be eligible for the production credit and what the appropriate levels for those credits should be.

*Question.* In 2012, the people of Washington State chose, by popular vote, for our State to implement an adult-use marijuana system. Seven more States passed similar laws on their ballots this past November.

Will you commit to maintaining the 2014 Financial Crimes Enforcement Network (FinCEN) guidance to financial institutions that allows them to work with regulated marijuana-related businesses, while increasing transparency and improving public safety?

**Answer.** If confirmed, I will work with your office to review the 2014 FinCEN guidance.

*Question.* Do you support further changes to the tax code and banking law to ensure that these business can operate on a level playing field with other industries?

**Answer.** This is a very important issue. If confirmed, I will work with Congress and the President to determine which provisions of the current tax code should be retained, revised, or eliminated to ensure that all individuals and businesses compete on a level playing field.

*Question.* Washington State is one of seven States without an income tax. Because of decisions by the courts, we are prohibited from requiring out-of-state retailers to collect and remit sales tax on purchases shipped to Washington State. This gap in our tax collection is estimated to cost our State government hundreds of millions of dollars in revenues per year and disadvantages brick and mortar small businesses in Washington State, who must compete with out-of-state, online retailers that do not collect sales tax.

Do you support legislation to require out of State retailers to collect and remit sales tax to customers in other States?

**Answer.** This is a very important and complicated issue. If confirmed, I will work with Congress and the President to ensure legislation considered by Congress is consistent with the President's tax policy objectives.

*Question.* Should the tax remitted be destination-based or origin-based?

Answer. If confirmed, I will work with Congress and the President to determine the best approach to this issue.

*Question.* Mr. Mnuchin, you have stated that the offshore hedge funds you failed to initially report were set up not for tax avoidance but to let pensions and non-profits invest.

Please provide the ratio of the amount of investment in these offshore funds, at their peak, that were made by pension fund and non-profits versus other investors.

Answer. Since many of the investors in our offshore fund consisted of fund of funds, I do not have the exact characterization of the underlying investors. However, I do know that approximately 20% of the fund consisted of individuals, family companies, or trusts that were true foreign entities.

*Question.* Did any of your marketing materials for your Anguilla or Cayman Island funds express or advertise the tax benefits of their offshore location?

Answer. The offering document for Dune Capital International contained normal tax consideration disclosures as well as ERISA and other regulatory considerations.

*Question.* Please provide to the Finance Committee any and all marketing materials and letters.

Answer. As indicated in the preceding response, the confidential offering memorandum describes the tax consequences of the investment but does not express or advertise “tax benefits” from the investment. The description of tax consequences in the confidential offering documents is typical for such investments, including a description of U.S. and Anguilla tax rules.

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QUESTIONS SUBMITTED BY HON. BILL NELSON

*Question.* As you know, the Treasury Secretary heads the Financial Stability Oversight Council (FSOC), which is responsible for rooting out systemic risk in our financial system. If confirmed, what would be your top three priorities for FSOC?

Answer. The Dodd-Frank Act requires the FSOC to conduct activities to execute three responsibilities: to identify risks to the financial stability of the United States; to promote market discipline; and to respond to emerging threats to the stability of the United States financial system. If nominated, I will work to fulfill these three statutory responsibilities.

*Question.* Do you believe large nonbank financial companies, like AIG, should be left alone or do you believe they should be subject to closer scrutiny if they pose a significant risk to the financial system?

Answer. If confirmed, I look forward to working with FSOC and understanding the work that they have done on this issue before reaching a judgment.

*Question.* Do you think Goldman Sachs did anything wrong in the lead up to the 2008 financial crisis? If so, please explain.

Answer. Senator, as I left Goldman Sachs in 2002, I am not in a position to offer judgment on their activities after that time.

*Question.* The Treasury Department is responsible for combating terrorism financing. This has taken on increasing importance over the years as terrorist groups like ISIS increasingly rely on access to global financial networks to carry out their acts of terror. What do you believe you could contribute to this critical area of our national security?

Answer. If confirmed as Treasury Secretary, I will use the many tools the Treasury Department has to combat terrorist financing to the maximum amount allowable by law.

*Question.* Some members of Congress, including myself, have proposed giving the Treasury Secretary the ability to establish minimum competency standards for tax preparers—to ensure they are actually fit to do your taxes and not criminals. The lack of quality control in the tax preparer industry has been known to contribute to the proliferation of identity theft-related tax fraud and tax scams. Do you think it makes sense to make sure paid tax preparers are qualified to do your taxes? If so, what do you plan to do to make this issue a priority? If not, why?

Answer. I agree that tax preparers should be qualified. I am committed to reviewing any proposals addressing this area.

*Question.* The National Taxpayer Advocate recently reported that Hispanic Americans are most at risk to abuse by disreputable tax preparers, stating: “Given language barriers and less education, Hispanics may be especially vulnerable to unscrupulous return preparers who promote high interest loans and charge high fees.” What can you say to Hispanic Americans to give them some comfort about the next 4 years in relation to this issue? How would you reach out to this community and ensure they are not forgotten?

*Answer.* If confirmed, I look forward to working with Congress, the National Taxpayer Advocate, and the Internal Revenue Service to identify ways to make sure all Americans have the ability to comply with our tax laws. In addition, the IRS website is available in Spanish, and we will continue to make information available to help educate the Hispanic community.

*Question.* What can you tell us about your commitment to making sure tax reform is fully paid for and not reliant on budget gimmicks, such as timing shifts or one-time revenue for permanent changes?

*Answer.* We are committed enacting tax reform that grows the economy, jobs, and incomes for hardworking Americans. We believe that the higher growth resulting from tax reform, reduced regulation, and eliminating the trade deficit will generate significant additional revenue.

*Question.* Do you believe a tax reform plan that provides the lion’s share of its tax cuts to the top 1 percent of income earners and large corporations is better for the economy than a plan that makes the tax code more progressive and provides the majority of its benefits to the middle class and working poor?

*Answer.* Maximizing economic growth, allowing working people to keep more of their money, and creating jobs and greater opportunity for all Americans is our objective. We are committed to working with Congress to maintain an appropriate level of progressivity in the tax code.

*Question.* Are you familiar with the details of what House leaders are planning for tax reform? If so, do you have any concerns about any provisions within the plan?

*Answer.* I am very familiar with the Blueprint, titled “A Better Way for Tax Reform.” I will work closely with the leadership in the House and Senate on needed tax reform.

*Question.* Separate from the Joint Comprehensive Plan of Action, which relates to Iran’s nuclear program, we have long imposed sanctions on Iran unrelated to its nuclear program. They were put in place in response to Iran’s weapons trafficking, support for terrorism, money laundering, and ballistic missile testing. Until those activities cease, those sanctions should remain in effect. What commitment can you make to ensure Iran is not gaining access to the U.S. financial system without making drastic changes to its behavior?

*Answer.* I will act to fully enforce all existing sanctions against Iran—including with respect to its sponsorship of terrorism and other illicit activities. I am fully committed to bringing every available Treasury tool and authority to bear to prevent Iran from accessing the U.S. financial system.

*Question.* If confirmed, you will be in charge of overseeing foreign assets blocked by the Treasury Department, including the assets of the Revolutionary Armed Forces of Colombia, better known as FARC, a terrorist organization and drug syndicate. Last year, I introduced a bill with Senator Rubio to help the Americans that were murdered and held hostage by the FARC, and their families, gain access to more assets blocked by the Treasury Department, as restitution for their harrowing ordeal. Can you commit to ensuring FARC victims and their families gain access to assets blocked under the Kingpin Act and work with me to help get my legislation enacted into law?

*Answer.* I am committed to utilizing all of Treasury’s assets to confront terrorism and narco-trafficking networks. If confirmed, I would look forward to working with you on this issue and welcome any suggestions toward that goal.

*Question.* How do you think we should address the problem of currency manipulation—when other countries intervene in their currency markets to control the value of their currency and gain a trade advantage? Do you think it is something we can solve unilaterally, or do we need to work within the G20 to find a global solution?

Answer. Existing U.S. laws provide the procedures whereby the U.S. Treasury is to evaluate the currency policies of foreign nations. If I am confirmed, I will follow the procedures and recommend changes to those procedures if needed.

*Question.* If confirmed, what would you like to accomplish by the end of your term?

Answer. As Treasury Secretary, my primary objective will be to increase U.S. economic growth through significant tax, regulatory, and trade reform. I believe, together with the President, that America has unlimited potential; through sound policies aimed at achieving solid finances and a dependable dollar, we can establish a firm foundation for productive growth and new levels of prosperity.

*Question.* Are you familiar with the trademark dispute related to the Cuban Government's theft of the Havana Club Rum trademark? If so, what are your thoughts on reviewing the decision that allowed the Cuban-based beneficiaries of the theft to pay the fee that allows them to renew the trademark in the United States? If not, can you commit to looking into this dispute and meeting with U.S. stakeholders to fully understand the issue?

Answer. Although I am not familiar with this it, it is long-standing U.S. law and policy to prevent the registration or renewal of trademarks obtained through confiscations, without compensation to the original owners. Thus, if confirmed, I would look forward to working with your office to learn more about this dispute and meeting with the U.S. stakeholders.

*Question.* What are your thoughts about politicizing decisions made by the Federal Reserve Board of Governors and the benefits of an independent central bank?

Answer. As you know, the Federal Reserve is organized with sufficient independence to conduct monetary policy and open market operations. I endorse the increased transparency we have seen from the Federal Reserve Board over recent years.

*Question.* As you know, if you are confirmed as Treasury Secretary, you would serve as the chair of the Committee on Foreign Investment in the United States (CFIUS). CFIUS has the important responsibility of reviewing foreign investment transactions to ensure they do not threaten our national security. What do you believe are the most pressing challenges facing CFIUS today? What would be your approach to dealing with those challenges, and how would you approach any conflicts of interest that come before CFIUS?

Answer. If confirmed, I would ensure that CFIUS is fully able, to the maximum amount allowable by law, perform its important responsibilities in assessing whether foreign investment transactions pose a threat to U.S. national security.

*Question.* In 2015, Congress made the conservation easement tax deduction permanent, reinforcing our commitment to conservation. What are your thoughts on conservation easements? Do you believe tax reform should preserve the incentive for conservation easements?

Answer. I commit that I will work with the committee to protect the integrity of the conservation easement program and will keep the committee informed about potential abuses and enforcement tools that our needed.

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QUESTIONS SUBMITTED BY HON. ROBERT MENENDEZ

*Question.* Shortly after then President-elect Trump announced your nomination, you told CNBC that you would focus on rolling back parts of the Dodd-Frank Wall Street Reform Act. Specifically, you said, "the number one problem with Dodd-Frank is that it's way too complicated and cuts back lending."

What specific provisions would you advise the President and Republicans in Congress to change, repeal, or unwind?

Answer. I would advise the President and members of Congress on rules that undermine economic growth and job creation. A particular focus should be placed on reducing the regulatory costs faced by community financial institutions, and making sure that small and medium-sized business have access to credit.

*Question.* During your confirmation hearing, you appeared to be supportive of the Volcker Rule for FDIC-insured institutions, though you also mentioned complications with the implementation of the rule. While the Department of the Treasury

was not responsible for writing the rule, it was responsible for coordinating the rule-making.

What is your view on Treasury's role in making any changes to the Volcker Rule?

Answer. I am supportive of the Volcker Rule to mitigate the impact that proprietary risk taking may have on a bank that benefits from Federal deposit insurance. However, as I indicated we need to provide a proper definition of proprietary trading, such that we do not limit liquidity in needed markets, as indicated by the recent Fed report.

*Question.* How do you plan to engage with the other financial regulators on this issue, and what specific changes would you like to see made?

Answer. I would encourage the regulators to define the Volcker rule in a way that does not hinder liquidity and customer trading as outlined in the Fed report.

*Question.* During your confirmation hearing, you said, "regulation is killing community banks." According to data released by the FDIC on November 29, 2016, community banks reported net income rose \$593 million, or 11.8 percent from the 2015 period. The FDIC also reported that community banks' net operating revenue totaled \$23 billion, an increase of 8.5 percent from a year earlier. Chair Gruenberg said, "community banks, which account for 43% of the industry's small loans to businesses, continued to grow their small business loans at a faster pace than the rest of the industry."

What specific regulations do you believe are particularly detrimental to the community banking industry, and what changes would you recommend?

Answer. I look forward to working with banking regulators and Congress to determine what particular regulations could be reformed to better serve customers and create a flow of credit while preserving key capital adequacy and safety and soundness standards.

*Question.* Mr. Mnuchin, you have extensive experience as a board member of a large regional bank. As you know, there have been a number of proposals in Congress to change the Dodd-Frank created enhanced prudential regulatory regime administered by the Federal Reserve for banks with more than \$50 billion in assets.

What is your view on the role of regulation in overseeing large regional banks?

Answer. I endorse rethinking regulatory requirements facing large regional banks in order to regulate the banking sector in a more effective manner. In particular, we should examine whether it is appropriate for financial institutions that engage almost exclusively in traditional banking activities with consumers and businesses to be subject to measures intended for our largest and most complex financial institutions.

*Question.* As Treasury Secretary, you will chair the Financial Stability Oversight Council (FSOC), and you will have the responsibility of overseeing efforts to address systemic risks to the system.

Will you continue FSOC's efforts to identify and address the risk that so-called shadow banks and other non-banks may pose to the economy?

Answer. If confirmed, I will review the work that has been done on the so-called shadow banks and other non-banks that pose risk to the economy.

*Question.* As you know, the FSOC can set aside a CFPB final regulation with the vote of two-thirds of its members if the regulation would put the safety and soundness of the U.S. banking system or U.S. financial stability at risk, a process that begins with the petition of a single member of the Council.

What is your view on the FSOC's role in overseeing the work of the CFPB?

Answer. If confirmed, I will review the work and governance of FSOC and will look forward to following up with your office.

*Question.* Some in Congress have pushed for changes that would make it even easier for FSOC to overturn CFPB rules. Do you support those proposals? If so, why?

Answer. If confirmed, I will review the work and governance of FSOC and will look forward to following up with your office.

*Question.* As you know, the Office of Financial Research (OFR) was created to, unlike any other existing agency, look across the entire financial system to fill critical

data and information gaps that policymakers and the public sorely needed following the Great Recession. Congress realized the need for an independent team of experts at the Treasury Department that would have the capacity to perform high-level data-collection and analysis on potential risks to U.S. financial stability. The OFR can also help reduce regulatory burdens and reporting requirements for financial institutions by ensuring data standardization. As someone who has served in many different roles in the financial services industry, you have witnessed firsthand the need for the OFR.

Will you support the OFR and its research and data collection activities to ensure we identify and can appropriately address future potential threats and minimize duplicative data reporting as soon as practicable?

Answer. More needs to be done to minimize duplicative data reporting. I support efforts to revisit the Dodd-Frank framework in order to ensure policymakers have the right information to address future potential threats to the U.S. financial system.

*Question.* In November 2016, the California Reinvestment Coalition and the Fair Housing Advocates of Northern California filed a complaint with the U.S. Department of Housing and Urban Development asking the Department to investigate allegations that CIT Bank, as a successor to OneWest, violated the Fair Housing Act. Specifically, the complaint alleges that the bank failed to locate branches in communities of color, extended few or no mortgage loans to borrowers of color, and maintained and marketed real estate owned homes in predominantly white neighborhoods better than in neighborhoods of color.

What are your views on the importance of fair lending and fair housing laws?

Answer. In my opinion, lending and housing discrimination have no place in a well-functioning economy, and I have always been committed to compliance with fair lending laws. During my tenure, OneWest Bank completed fair lending examinations (including examinations of our servicing and loss mitigation activities) conducted by both the Office of the Comptroller of the Currency (“OCC”) and the Consumer Financial Protection Bureau. In addition, an OCC examination of the Community Reinvestment Act compliance of OneWest Bank under my leadership found that our “geographic distribution of loans [was] excellent,” our performance under the OCC’s Lending Test was “high satisfactory,” both home mortgage refinancing and home purchase lending were “excellent,” and our multifamily lending activities were “good.” Overall, “the OCC did not identify any evidence of discriminatory or other illegal credit practices with respect to” OneWest Bank. And while two community groups have made unfounded allegations about OneWest, I am proud to have received the support of the former executive director of HOPE NOW, the President and CEO of the National Asian American Coalition, and multiple former State and Federal bank regulators.

*Question.* The Obama administration has issued a series of regulations and licenses that allow American businesses to engage in business transactions with entities that are owned by the Cuban military, which in practice is nearly impossible to separate from the Castro regime. Although the administration has touted these investments as supporting the Cuban people, the truth is the regime and the military have a tight grip on just about every industry. In fact, in December, the president of a major travel company lamenting the lack of infrastructure in Cuba told NBC full stop that: “Tours and experiences are controlled by the government tour company.”

Additionally, the Treasury’s Office of Foreign Asset Control has granted licenses for businesses and companies to transact with properties and assets that the Cuban government has confiscated from its own citizens and even from American citizens. Both of these transactions are inconsistent with U.S. statutes and in fact blatantly contradict the intention of the LIBERTAD Act—and I know because I wrote that law.

Will you commit to reversing decisions that allow American businesses to engage in transactions with Cuban-military owned entities or properties that were stolen from American citizens?

Answer. If confirmed, I commit to fully and effectively enforcing all sanctions prescribed by the LIBERTAD Act and other Cuba sanctions legislation. Moreover, I would look forward to working with you and your office to review and ensure that all prior licenses and current regulations are consistent with statutory intent.

*Question.* On October 12, 2016, Donald Trump said, “The people of Cuba have struggled too long. I will reverse Obama’s executive orders and concessions towards Cuba until freedoms are restored.”

Do you stand by that statement? As many of the Executive orders and regulations that impact our relationship with Cuba have gone through the Treasury Department, will you commit to reversing those “concessions” and regulations?

*Answer.* If confirmed, I will enforce all statutorily-mandated Cuba sanctions to the fullest extent of the law. I will also implement any revisions to the current regulations pursuant to President Trump’s policy.

*Question.* Mr. Mnuchin, I’m disappointed that you wouldn’t support new sanctions on Russia for, among other things, interfering in our election. Moreover, Mr. Trump said that he would potentially lift sanctions against Russia quickly, unilaterally, and without input from Congress. For those of us who have both authored much of the laws putting the architecture for comprehensive and effective sanctions in place, and those of us who believe that the legislative branch must be an effective check on the Executive, this is alarming. Sanctions that carry the full weight of law are a critical component of our national security strategy.

Would you support efforts of the President to ignore the will of Congress and unilaterally lift sanctions currently in place on Russian individuals and actors?

*Answer.* If confirmed, I will continue to support and enforce the existing sanctions against Russia to the fullest extent, as I stated during my confirmation hearing. To the extent that the President and his national security advisors determine that it is in the best interest of the United States to modify the sanctions or impose others, I will fully enforce those sanctions in support of the President’s national security strategy.

*Question.* Due to President Maduro’s failed policies and lack of respect for the rule of law, Venezuela is currently facing a dire humanitarian and economic crisis. Its state-owned oil company PdVSA (Pedevesa) and its subsidiary Citgo, are under extreme financial pressure and may not be able to pay their bills in the near future. Under a recent deal, 49.9% of Citgo was mortgaged to Rosneft, the Russian government-owned oil company run by Vladimir Putin crony Igor Sechin. It is also possible that Rosneft acquired other PdVSA bonds on the open market what could bring their ownership potential to over 50%. If Citgo defaults on its debts, Rosneft, an entity currently under American sanctions because of Russia’s belligerent behavior, could come to own a majority stake in strategic U.S. energy infrastructure including 3 refineries and several pipelines.

Given the close ties between Rosneft and Putin, Putin’s interest in undermining the United States, and Putin’s willingness to use energy as a weapon, does this potential deal concern you?

*Answer.* Rosneft is currently subject to “sectoral sanctions” under Directives 1 and 2, which were issued pursuant to Executive Order 13662 of March 20, 2014. Given that the Treasury Department is responsible for the implementation and enforcement of economic sanctions imposed by the United States, if confirmed as Treasury Secretary, I will ensure that any transaction by Rosneft that potentially impacts U.S. strategic energy interests is carefully monitored and will advise the President accordingly.

*Question.* Do you think that is in our national interest?

*Answer.* Rosneft is currently subject to “sectoral sanctions” under Directives 1 and 2, which were issued pursuant to Executive Order 13662 of March 20, 2014. Given that the Treasury Department is responsible for the implementation and enforcement of economic sanctions imposed by the United States, if confirmed as Treasury Secretary, I will ensure that any transaction by Rosneft that potentially impacts U.S. strategic energy interests is carefully monitored and will advise the President accordingly.

*Question.* Should a sanctioned Russian company have control over critical U.S. energy infrastructure?

*Answer.* Rosneft is currently subject to “sectoral sanctions” under Directives 1 and 2, which were issued pursuant to Executive Order 13662 of March 20, 2014. Given that the Treasury Department is responsible for the implementation and enforcement of economic sanctions imposed by the United States, if confirmed as Treasury Secretary, I will ensure that any transaction by Rosneft that potentially impacts

U.S. strategic energy interests is carefully monitored and will advise the President accordingly.

*Question.* Will you initiate a CFIUS review?

Answer. If confirmed, after reviewing the work of CFIUS, I would determine whether I believe a CFIUS review is needed. I am happy to review this issue with your office.

*Question.* Does ExxonMobil's involvement in deals with Rosneft present any concern for you given our potential new Secretary of State?

Answer. I believe the President's decision to nominate Rex Tillerson is an excellent choice for Secretary of State and have every confidence that he will hold paramount the interests of the United States and the American people.

*Question.* Iran remains designated by the Department of State as the leading state sponsor of terrorism, and it continues to aid terrorist groups like Hezbollah and Hamas that directly threaten the United States, our interests, and our allies. Congress and the executive branch have imposed a comprehensive and restrictive network of sanctions designed to stop the flow of cash to and from known individuals and entities involved in Iran's sponsorship of terrorist networks, weapons trafficking, and nuclear proliferation and human rights abusers.

How will you ensure that these sanctions are enforced?

Answer. As Treasury Secretary, I will act to vigilantly enforce all existing sanctions against Iran—including with respect to its sponsorship of terrorism, nuclear proliferation, abuse of human rights, and other illicit activities. I will ensure that the Office of Terrorism and Financial Intelligence is making every effort to enforce existing sanctions and coordinating with the U.S. Department of Justice and other U.S. law enforcement agencies and the Intelligence Community to execute a "whole of government" approach to enforcement of existing sanctions against Iran.

*Question.* What steps will you take to strengthen these sanctions and ensure that American companies comply with laws put in place to stop money from going to sponsors of terrorism?

Answer. I will ensure that the Office of Terrorism and Financial Intelligence is making every effort to enforce existing sanctions and coordinating with the U.S. Department of Justice and other U.S. law enforcement agencies and the Intelligence Community to execute a "whole of government" approach to enforcement of existing sanctions against Iran. I will also work with the President to ensure that Treasury is engaged in meaningful consultation with the Congress to the extent existing sanctions require modification or strengthening to combat sponsors of terrorism.

*Question.* As the Departments of State and Treasury continue to make determinations about known sponsors of terrorism or human rights violators, will you impose further sanctions on individuals and entities?

The Iran's Islamic Revolutionary Guard Corps (IRGC) plays an outsized role in virtually every sector of the Iranian economy. Numerous sanctions remain in place on the IRGC and affiliated entities related to proliferation concerns, human rights violations, and ballistic missile development. Last October, the Treasury Department issued guidance stating that it is "not necessarily sanctionable" for foreign persons to engage in transactions with an entity that is "controlled in whole or in part" by the IRGC. Do you support this position? Or would you look to revise the guidance?

Last year, Treasury finalized a rule requiring banks to identify the beneficial ownership of companies they do business with. As part of the rule, an entity that has a 25% stake in the company must be identified. When it comes to the IRGC, the standard to determine ownership or control of a company is still 51%. Do you agree with this threshold?

Answer. If confirmed, I intend to vigilantly enforce existing sanctions, including continuing to make determinations and imposing sanctions on individuals and entities as appropriate under Treasury's authorities.

*Question.* Secondary sanctions proved to be one of the most effective mechanisms we have to fully isolate countries like Iran from gaining access not only to American financial markets capitol, but also to European markets and companies.

How will you work with our allies to ensure that they comply with existing networks even as they seek to do business with Iran?



**Answer.** If confirmed, I intend to coordinate with the Secretary of State on the administration's efforts to engage with the international community regarding the need to vigilantly enforce the Joint Comprehensive Plan of Action, and to remind other nations that waived secondary sanctions remain available for re-imposition by the United States in the event that Iran fails to comply with its commitments. The Congress's December 2016 reauthorization of the Iran Sanctions Act with overwhelming bipartisan majorities emphasized to the international community that powerful secondary sanctions remain a viable and available tool for the foreseeable future with respect to Iran's compliance with the JCPOA. I will also coordinate with finance ministers around the globe and continuously remind them of their respective nations' obligations to assist the United States in effectively enforcing the JCPOA.

**Question.** In November 2011, the U.S. Government designated Iran and its entire financial sector—including its central bank—a “jurisdiction of primary money laundering concern.”

Has anything fundamentally changed in how Iran behaves regarding money laundering?

**Answer.** If confirmed, I will carefully consider all available information and make an assessment as to whether anything has fundamentally changed with respect to the 2011 designation of Iran as a jurisdiction of primary laundering concern.

**Question.** Has Iran addressed the concerns we laid out in 2011?

**Answer.** If confirmed, I will carefully consider all information and make an assessment regarding whether Iran has fully and effectively addressed the concerns set forth by the United States in 2011.

**Question.** What actions would Iran have to take in order to alleviate the concern that its financial institutions were engaging in illicit activity?

**Answer.** If confirmed, I will make a careful and deliberate assessment of the actions required for Iran to alleviate concerns about illicit activity by its financial institutions and advise the President and National Security Council accordingly.

**Question.** How would you classify the level of financial crimes and sanctions risk of doing business in and with Iran?

**Answer.** I am not in a position at this time to provide a classification of financial crimes and sanctions risk of doing business with Iran, but commit that if I am confirmed as Treasury Secretary, I will assess all information available to me to make such an assessment and advise the President and the National Security Council in that regard.

**Question.** Given the designation as a “primary money laundering concern” we're talking about the need for Enhanced Due Diligence for any and all financial activities, at a minimum, correct?

**Answer.** Given the designation of Iran as a primary money laundering concern, it is prudent for any individuals or entities engaging in authorized dealings with Iran to ensure they have adequately assessed the risks of such activity and take all appropriate steps to mitigate those risks accordingly.

**Question.** How do we plan to ensure that Iran doesn't game the FATF system and simply go through the motions of compliance with no real impact on the risks of their financial system and effectiveness of their AML/CFT regime?

**Answer.** I am not in a position at this time to describe the administration's plans to ensure that Iran is not gaming the system or is instead undertaking steps to provide transparency in its financial system, but commit that if confirmed as Treasury Secretary to dedicate all of Treasury's tools and resources to the administration's efforts in that regard. Transparency in the Iranian financial system is critical to verifying an effective anti-money laundering and counter terror finance regime.

**Question.** Can a state sponsor of terror ever be a trusted financial player in the international financial system?

**Answer.** If confirmed, I will coordinate with the President and the National Security Council to vigilantly enforce all existing sanctions against Iran—including with respect to its sponsorship of terrorism, until such time as the United States determines that Iran is no longer a state sponsor of terror.

**Question.** Glencore, a Swiss-based commodity trading and mining company and Qatar's sovereign wealth fund, in December bought 19.5 percent of Russian state-owned and American-sanctioned company Rosneft. We are still learning details of

the transaction, but it appears there was a bond sale by Rosneft to raise money which was then reinvested as loans issued by Russian banks to the foreign investors. Depending on how the deal was structured, this could have created a tremendous financial windfall for the Putin regime.

Given that our Treasury Department is currently investigating the sale, would you commit to continuing this investigation?

Answer. I am not in a position to comment on the details of an ongoing investigation by the Treasury Department. However, if confirmed as Treasury Secretary, to the extent the Treasury Department is in the course of an investigation related to economic sanctions I will not, nor will any political appointee in the Treasury Department under my watch, attempt to influence, direct, or prevent any outcome to a law enforcement investigation other than what the facts and evidence support.

*Question.* If the transaction is ultimately found not to have violated U.S. sanctions, would you agree with me that we need to tighten the statute to ensure that Russia is unable to access foreign financing unless it reverses the belligerent actions which spurred the sanctions in the first place?

Answer. I am not in a position to comment on the details of an ongoing investigation by the Treasury Department and whether or not a particular transaction may be found to violate U.S. sanctions. As Treasury Secretary, I will work with the President to implement and enforce sanctions as necessary to promote the President's national security objectives.

*Question.* Treasury's Under Secretary for Terrorism and Financial Intelligence David Cohen indicated in 2014 that Qatar and Kuwait were permissive jurisdictions for terror finance and that Qatar was granting legal impunity to U.S.-designated al-Qaeda financiers. Since then, there is no visible indication that either government has convicted even a single individual, in person or in absentia, who is under counterterrorism sanctions by the United States or the UN.

What would you do as Treasury Secretary to motivate U.S. allies that refuse to take effective legal action against a broad swathe of terrorist financiers who have operated inside their territory?

Answer. The President has indicated his intent to undertake every effort to defeat ISIS, and as Treasury Secretary, I will ensure the Department is focused on detecting, exposing, and eliminating terror groups' funding networks—including by engaging and collaborating through the Office of Terrorism and Financial Intelligence with other nations' financial intelligence units to expose and eliminate these networks. I will coordinate with finance ministers around the globe to work with the United States on dedicating their respective nations' resources to isolating these terror financiers and bringing them to justice. We will also coordinate with the U.S. Department of Justice, the IC, and other parts of the United States national security apparatus to execute a "whole of government" approach to paralyzing terror groups' financing activities.

*Question.* There is an ongoing debate on how reliable an ally China is in countering North Korean weapons proliferation. Do you believe that we should work through Beijing to stop North Korea's nuclear weapons and ballistic missile programs or should we look to sanction persons and banks in China aiding these programs?

Answer. A "whole of government" approach by the United States will be most effective in countering North Korea's nuclear weapons and ballistic missile programs. Among other things, this approach must include vigilant enforcement of all existing sanctions imposed by Executive order and/or legislation involving North Korea; examination and development by the Office of Terrorism and Financial Intelligence of additional potential sanctions targets; diplomatic engagement with China to assist the United States in deterring and impeding these North Korean activities; and consultation and collaboration with the Congress regarding other steps that might be taken in this regard.

*Question.* While responding to questions regarding then President-elect Trump's Tax Plan that you helped craft, you stated that: ". . . there will be no absolute tax cut for the upper class. . . ." Despite this pledge, estimates by both the Tax Foundation and Tax Policy Center indicate that the top 1/10 of 1 percent of the Nation would receive a huge windfall.

Do you plan to revise the President's tax plan so it is consistent with this pledge?

*Answer.* In working with Congress, we will make sure that the primary focus of the tax plan is a middle-income tax cut, tax simplification, and more competitive tax rates for U.S. business so they can compete effectively.

*Question.* You have advocated changing the way the cost of tax legislation is calculated or “scored” for the purposes of analyzing its impact on the budget. But as you know, different so-called “dynamic scoring” models produce a wide range of results depending on what assumptions are made. The Joint Committee on Taxation (JCT) is a non-partisan, highly respected institution that provides members of Congress and the general public with objective analysis regarding the “cost” of tax legislation.

Do you commit to respecting their independence and pledge to refrain from exerting any pressure on JCT and their chosen model of scoring?

*Answer.* The Joint Committee on Taxation has been an important participant in and contributor to the tax reform process. I will work with all congressional committees, including JCT and the Committee on Ways and Means, the Committee on Finance, and the leadership of the House and Senate, to develop tax legislation.

*Question.* Do you commit to accepting JCT’s model as the final say for scoring purposes?

*Answer.* I will work with all congressional committees, including JCT and the Committee on Ways and Means, the Committee on Finance, and the leadership of the House and Senate, to develop tax legislation.

*Question.* In terms of distributional impact of a tax plan, one large variable is who bears the burden of the corporate tax: the worker or the shareholder.

Do you believe workers or shareholders effectively pay a larger portion of the U.S. corporate tax?

*Answer.* The shareholder pays the tax; however, the burden of high taxes also impacts workers, jobs, and wages.

*Question.* Sometime next year, Congress will face a decision whether or not to increase the Nation’s debt limit in order for Treasury Department to continue paying our Nation’s bills. Back in 2011 when congressional Republicans held the debt limit hostage, we saw a downgrade in the U.S. credit rating, and consumer confidence plummeted. When I questioned Federal Reserve Chair Janet Yellen last year about the consequences of what would happen if we didn’t pay our debts in full, she responded clearly and forcefully warned us of the dire consequences. I quote:

“U.S. Treasury securities are the safest and most liquid benchmark security in the global financial system. They play a critical role in our financial markets, and the consequences of such a default, while they’re uncertain, I think there can be no doubt that it would be in the long run harmful to U.S. interests. At a minimum, it would result in much higher borrowing costs.”

*Question.* Is it possible for the U.S. to renegotiate its sovereign debt without defaulting?

Will you go to Congress and advocate to have the Debt Limit increased so we can pay our debts?

*Answer.* As I stated during my confirmation hearing, I believe the debt limit should be raised. I believe the United States should honor its debts.

*Question.* President Trump has previously boasted that his Presidency would result in 4- to 5-percent GDP growth per year and create 25 million jobs in the next decade.

What is your prediction for annual GDP growth and job creation over the next 4 years?

Do you believe President Trump will create as many jobs as President Obama did on an annual basis?

*Answer.* It is my belief that our economy will grow significantly in this administration, and will benefit American families and workers that have been displaced and left behind under previous policies.

## QUESTIONS SUBMITTED BY HON. THOMAS R. CARPER

*Question.* President Trump has proposed several tax reform plans, all of which would drastically cut taxes on wealthy individuals. Studies of President Trump's revised tax reform plan found that the largest benefits, both in dollar amounts and in percentage terms, would accrue to the highest-income households. According to an analysis by the Tax Policy Center, the Trump tax reform plan by itself would also raise taxes on middle class families with children, in large part because it would repeal the personal exemption for children and force single parents with children to file as singles and so forfeit the more generous standard deduction they currently receive. The Trump proposal does this while simultaneously delivering massive tax cuts to the highest-income taxpayers and businesses. TPC's analysis also notes that the incoming President's proposed child care deduction and tax credit fails to compensate families for these other lost tax benefits.

At the same time, Mr. Mnuchin, you have stated that, "Any reductions we have in upper-income taxes will be offset by less deductions so that there will be no absolute tax cut for the upper class." Can you explain precisely what you mean—regarding both the definition and your proposed policy framework—by "absolute" tax cut?

*Answer.* If confirmed, I look forward to working on measures that lower the tax burden on the middle-class and working families.

*Question.* You have repeatedly mentioned that a middle-class tax cut is the centerpiece of your tax reform. What middle-class taxes do you actually intend to cut?

*Answer.* President Trump made it clear throughout the campaign that his commitment was to tax relief for the middle class. If confirmed, I will work with President Trump and Congress to ensure that middle-class families are not further burdened by higher taxes.

*Question.* As noted above, you have repeatedly mentioned that a middle-class tax cut is the centerpiece of your tax reform. Will these middle-class tax cuts make up for the premium tax credits that will be lost to ACA repeal?

*Answer.* If confirmed, I will work with the Secretary of Health and Human Services to determine the economic impact of any changes to ACA.

*Question.* The incoming administration has promised to repeal the Affordable Care Act. To help leverage health coverage for 20 million Americans who would otherwise go without health care, the ACA levies a number of taxes on couples who earn more than \$250,000. This includes a 0.9 percent payroll surtax on income earned over \$250,000 and a similar 3.8 percent surtax on net investment income. Do you agree that eliminating these specific tax provisions within the ACA would reduce the taxes paid by high income individuals—while depriving the ACA with a source of funding and providing no tax relief to working families?

*Answer.* The President's top priorities include tax relief for the middle class and health care that is both affordable to working men and women and for which deductibles are no longer prohibitive to their ability to access it. I share the President's commitment and will work diligently with him and Congress to ensure that these goals are met.

*Question.* President Trump's plan indicated that itemized deductions for high-income individuals would be limited somehow. Could you please state three specific tax deductions or tax breaks that you plan to eliminate, which would help achieve the stated goal of avoiding "absolute tax cuts for the upper class"?

*Answer.* If confirmed, I will work with the tax-writing committees, Congress, and the staff at Treasury to advise the President on the best course of action for the American taxpayer.

*Question.* Unlike political campaigns, we in Congress are constrained by budgetary reality, however painful. The budgetary reality is, any reasonable limit on popular high-income tax deductions for wealthy people doesn't provide nearly enough revenue to offset the scale of the tax rates you're proposing for those same wealthy taxpayers.

If, as Congress and the administration are crafting tax reform, it turns out that curtailing deductions neither raises sufficient revenue nor ensures that the tax code remains as progressive as it is now, what will be your proposed solution?

*Answer.* I will work with Congress to make sure that Tax Reform's primary focus grows the economy, jobs, and incomes for hardworking Americans.

*Question.* If Congress ultimately passes a tax reform package that includes proportionately more tax cuts for wealthy individuals relative to middle-class families—either as a percentage of the tax cut or as a percentage of after-tax income of individuals or couples filing jointly—will you recommend to President Trump that he veto that legislation?

*Answer.* We are committed to enacting tax reform that grows the economy, jobs, and incomes for hardworking Americans. We believe that the higher growth resulting from tax reform, reduced regulation, and eliminating the trade deficit will generate significant additional revenue.

*Question.* As noted above, President Trump has proposed several tax reform plans, all of which would substantially increase annual deficits and total U.S. debt. The plans released would increase the public debt between \$2.6 and \$10 trillion, even after accounting for macroeconomic effects. A likely result from this massive expansion in debt is an increase in interest rates. What is the administration's plan to address the increase in borrowing costs for homebuyers, college students, and businesses?

*Answer.* Several of the President's economic proposals have addressed the current and anticipated problems caused by yearly deficits and increased Federal debt on American taxpayers. If confirmed, I plan to work with the President and Congress to see that taxpayers are not forced to bear an incessant burden from an ever-increasing Federal debt load.

*Question.* Given that President Trump has repeatedly expressed concern over the public debt, would the administration reconsider deficit-financed tax cuts when confronted with the reality that an increase in borrowing costs will also affect the Federal Government, which would be required to allocate a larger and larger portion of current revenues to financing debt?

*Answer.* The President has spoken frequently about the problems associated with increased borrowing costs, and I share your and the President's concerns about this issue. If confirmed, I will work with all stakeholders to make sure that this issue is less of a burden to taxpayers.

*Question.* Last year, President Trump offered a range of comments regarding the national debt. After first suggesting that as President he would "renegotiate" the national debt, he then later variously suggested that Treasury bonds might be alternately "discounted" or subject to a "buy back" or even "refinanced" with longer terms. As Treasury Secretary, you may be the official who is tasked by President Trump with somehow restructuring U.S. debt. Do you believe that renegotiating or otherwise restructuring U.S. debt would be perceived as a default?

*Answer.* I am confident that the President supports the full faith and credit of the debt of the United States, as do I.

*Question.* With reference to the preceding question, it is difficult to predict with certainty what the actions of any President will be. If President Trump orders you to somehow restructure or renegotiate U.S. debt, what will your response be? Will you comply with such a request?

*Answer.* As I have indicated in my preceding response, I am confident that the President and the Treasury will support the full faith and credit of the United States and hence commenting on this hypothetical circumstance is not necessary.

*Question.* With reference to the preceding two questions, if you were to receive and attempt to comply with such an order from President Trump to somehow restructure U.S. debt, would such debt-restructuring be limited to addressing debt held by other sovereign nations, or would Treasury bonds held by Americans also be subject to changes?

*Answer.* The United States has always treated domestic and non-domestic holders of our debt equally as part of our commitment to our full faith and credit support of our obligations. As a result, I do not see the need to offer further comment on this hypothetical circumstance.

*Question.* With reference to the previous three questions, if you were to receive and attempt to comply with such an order from President Trump to somehow restructure U.S. debt, please outline a concrete plan as to how you would proceed, step-by-step, to restructure U.S. debt.

*Answer.* Please see responses to the two previous questions.

*Question.* The suspension in the debt ceiling enacted in 2015 is set to be reinstated on March 16th of this year. It is crucial that the Federal Government be able to meet its legal, financial obligations in full and on time. However, one of your fellow nominees, Mick Mulvaney, who President Trump has nominated to be OMB Director, disagrees, arguing that breaching the debt ceiling is not much of a concern.

Can you tell us, will President Trump call upon Congress to enact a clean increase in the debt ceiling at the appropriate time?

*Answer.* The timely enactment of the debt ceiling limit in early 2017 is an important priority for the administration. Delay on this matter should not be linked to budgetary and other considerations facing Congress, as the debt limit merely addresses funding the obligations that the United States has already incurred and does not address future budgetary commitments.

*Question.* If Congress does pass a clean increase in the debt ceiling, what will be your advice to President Trump? Will you recommend he sign or veto such legislation?

*Answer.* See response to previous question.

*Question.* If the debt ceiling is not raised at the appropriate time—either because of a Presidential veto or Congress fails to act—what specific actions will you as the Secretary of the Treasury take to ensure the full faith and credit of the United States?

*Answer.* If confirmed, my responsibility as Secretary would be to pursue all means available to the Treasury to meet this commitment, including historic extraordinary measures that have been employed by necessity in the past.

*Question.* In September and October of last year, President Trump stated, “It’s time to establish a national goal of reaching 4-percent economic growth” per year, and at other times suggested that “I actually think we can go higher than 4 percent. I think you can go to 5 percent or 6 percent.” Can you briefly outline for us the administration’s detailed proposals that can be shown empirically to achieve such high rates of growth?

*Answer.* We have abundant examples from American history about what works and does not work. To achieve high rates of real, sustainable economic growth, tax and regulatory reform must be pro-growth in design and execution.

*Question.* As noted above, President Trump has set a national goal of no less than 4-percent economic growth. You have indicated 3- to 4-percent growth. The single percentage point difference between President Trump’s minimum threshold (4 percent) and your minimum threshold (3 percent) is no small matter, but rather, is a difference of \$180 billion per year. My question has three parts.

First, are you in disagreement with President Trump as to how much growth is possible?

*Answer.* I agree fully with President Trump about America’s economic potential. It’s time that we reform our broken tax code and our dysfunctional regulatory system to unleash that potential.

*Question.* Second, what proposed policies or circumstances would account for such a large 1-percent difference in economic growth rates?

*Answer.* We have seen many circumstances at 4 percent or higher.

*Question.* Third, can you articulate a rationale for why President Trump is revising downward the growth levels that he articulated in during 2016?

*Answer.* Nothing has changed. Predicting economic growth is always difficult. But again, we know what works and doesn’t work, and we are committed to unleashing the potential of the American economy to achieve high and sustainable rates of growth.

*Question.* With reference to the previous two questions, is the incoming administration targeting 3- to 4-percent growth in each of the next few years, once President Trump-signed legislation goes into effect?

*Answer.* To benefit all Americans, President Trump is committed to maximizing the economy’s long-run, sustainable growth rate.

*Question.* With reference to the previous three questions, if the Trump administration fails to achieve 4-percent, or even 3-percent, growth that’s been promised in each year, will it be your assessment that the administration has failed to achieve

one of its central policy objectives? How should the American people hold the administration accountable for such a failure?

*Answer.* Our goal is to maximize economic growth.

*Question.* As noted above, the incoming administration has stated a goal of achieving 3- to 4-percent economic growth per year. As you know, population growth is a major component in GDP, and so slowing population growth therefore presents a significant constraint on achieving higher growth rates. One solution to this problem is providing sufficient legal channels for immigrants to come or stay and work in this country through immigration reform.

As you may know, the nonpartisan Congressional Budget Office projected that the comprehensive immigration reform bill that passed the Senate in 2013 would increase GDP by 3.3 percent in 10 years, and by 5.4 percent in 20 years. Yet, despite the economic growth potential represented by an increase in immigration levels, some in the incoming administration have demonstrated antipathy toward immigration and immigrants from a broad range of nationalities and backgrounds.

Would you agree that boosting immigration levels could help achieve a higher economic growth rate?

*Answer.* The President has repeatedly stated his support for legal immigration.

*Question.* In reference to the immigration question above, setting aside the many moral and decency arguments in favor of immigration reform and focusing solely on the economy for a moment, how would you work to reconcile the incoming administration's antipathy toward higher levels of immigration with the goal of achieving high rates of economic growth?

*Answer.* The President has reiterated his belief that American sovereignty requires adherence to immigration laws that have been passed by Congress. If confirmed, I will work with Congress and the professionals at Treasury to help make sure that the economy works for all U.S. citizens.

*Question.* I'm a strong proponent of clean energy technologies, both as a source of job creation and as means of reducing dependence on fossil fuels. In 2015, the tax credits supporting solar and large wind technologies were extended. However, left behind were companion technologies also found in section 48 of the tax code, including advanced fuel cells, combined heat and power, geothermal heat pumps, small wind technologies, and microturbines.

These tax credits were designed to support manufacturing jobs by offering economically efficient incentives at a relatively low revenue cost. Yet, these credits have been allowed to expire.

Emerging, cutting-edge energy companies require predictable tax incentives for research and development, capitalization, and cash flow reasons.

This is especially true for transitioning technologies that have a long lead time to installation—such as fuel cells, which provide reliable, off-grid power for first responders, manufacturers, and retail companies. Because of the tax uncertainty created by Congress, new energy technologies are seeing a boom and bust investment cycle, which is not good for economic growth or for our energy infrastructure.

Can you tell us how will you work with Congress to extend the credits for these crucial technologies that have bipartisan support?

*Answer.* If confirmed, I will get fully briefed on these bipartisan proposals and will work with the professional staff at Treasury and with Congress to support solutions.

*Question.* The incoming administration has promised to repeal the Affordable Care Act, which provides a tax credit to small businesses for providing health insurance to their workers. Do you agree that eliminating this tax credit would increase taxes for small businesses who are trying to do the right thing by helping their workers secure health insurance?

*Answer.* The President has made affordable, accessible health care a priority in his administration, and I look forward to working with Congress and the President to achieve this goal.

*Question.* As noted above, the incoming administration has promised to repeal the Affordable Care Act, which provides a tax credit to small businesses for providing health insurance to their workers. Before eliminating this tax credit, do you agree that we should ensure that the workers employed by the small businesses using this

credit to provide health insurance will not be left in the cold without access to insurance and health care?

Answer. If confirmed, I will work with the President to ensure that Treasury's role in any change to current law is supportive to these goals.

*Question.* In an interview shortly after your selection as the President's nominee for Treasury Secretary, you said that you looked forward to working with House Financial Services Chairman Jeb Hensarling on Dodd-Frank issues. Chairman Hensarling has been quoted as saying that he believes Dodd-Frank has been a failure. Do you believe that Dodd-Frank has failed to make the financial system safer?

Answer. If confirmed, I look forward to working with Chairman Hensarling and other members of the House and Senate to develop legislative solutions that improve U.S. financial system stability.

*Question.* Last year, Mr. Hensarling introduced a bill, the Financial Choice Act, to roll back some of Dodd-Frank's most important provisions. Mr. Hensarling has given every indication that he plans to reintroduce the Financial Choice Act in the 115th Congress. Do you support the Financial Choice Act as introduced last Congress? If sent to the President's desk would you recommend he sign such legislation?

Answer. If confirmed, I look forward to working with Chairman Hensarling in discussing his bill and working with members of Congress to ensure that financial regulatory reform legislation consistent with the President's objectives is signed into law.

*Question.* Throughout the campaign, now-President Trump vowed to dismantle Dodd-Frank. What parts of Dodd-Frank would you recommend the President dismantle?

Answer. I would advise the President and members of Congress on rules that undermine economic growth and job creation. A particular focus should be placed on reducing the regulatory costs faced by community financial institutions, and making sure that small and medium sized business have access to credit.

*Question.* Do you support the current Dodd-Frank provision eliminating the ability of the government to dismantle failed banks?

Answer. I am supportive of comprehensively reviewing all bank resolution regulations and practices in order to ensure the costs of failure are appropriately shifted to bank equity and subordinated debt investors and away from the taxpayers.

*Question.* Do you support repealing the Consumer Financial Protection Bureau's explicit authority to protect consumers from abusive acts and practices?

Answer. If confirmed, as Chair of FSOC, I look forward to addressing this regulatory issue.

*Question.* Do you support curtailing the powers of the Financial Stability Oversight Council, a council you would chair if confirmed?

Answer. I support a comprehensive review of the FSOC's powers and institutional processes in order to identify opportunities to improve the Council's ability to achieve its statutory responsibilities to identify risks to the financial stability of the United States, promote market discipline, and respond to emerging threats to the stability of the United States financial system.

*Question.* As Chairman of the Financial Stability Oversight Council (FSOC), what sorts of changes would you seek in how the Council operates?

Answer. The Council's operations are guided by statutory responsibilities to identify risks to the financial stability of the United States, to promote market discipline, and to respond to emerging threats to the stability of the United States financial system. If confirmed, I will work with colleagues on the Council to ensure these objectives are met, as well as, consider any needed changes.

*Question.* The Treasury Department exerts considerable influence both directly and indirectly over significant portions of the U.S. economy, including areas that affect the emissions of greenhouse gases. As such, major problems can be partially addressed via Treasury actions. If you become Secretary, what measures will Treasury take in order to address the significantly and growing problem of climate change?

Answer. If confirmed, I will work with Congress to ensure that Treasury's work is consistent with the administration's goals on the environment.



*Question.* Economic studies are increasingly finding a growing disparity between the “return on capital” and the “return on labor.” What is your assessment of tax reform plans that would further exacerbate the rate differential between capital gains and ordinary income? Would a cut to the top capital gain tax rate, relative to the top ordinary income rate, exacerbate the disparity between different types of income?

How do capital gains tax cuts benefit working families in, for example, the manufacturing sector?

*Answer.* Lower taxes on capital serve to increase private business investment, which is a key driver of private-sector job creation.

*Question.* The last time the United States achieved greater than 4-percent growth was during four consecutive years from 1997 through 2000, as well as in 1994. These periods of high growth all followed the significant increase in marginal tax rates for high-income taxpayers, as well as other revenue increases, most of which were enacted in 1993. Similarly, revenue increases on high-income taxpayers that resulted from the “fiscal cliff” have not negatively affected growth. By contrast, in the years after the 2001 and 2003 tax cuts, the average annual growth rate hovered around 2.7 percent—before the financial crisis. These are real-world examples that provide supporting evidence for the nonpartisan findings of most economists that tax rates have a minor to nonexistent effect on growth. Yet the centerpiece of the incoming administration’s plans for growth is tax reform—centered mainly on rate reductions.

If tax rate-reducing tax reform is enacted, and if in the years that follow growth rates do not reach the 3- to 4-percent growth rate that you and President Trump has suggested, what conclusions would you draw about the relationship between marginal tax rates and economic growth?

In addition, if tax rate-reducing tax reform is enacted, and if, in the years that follow, growth rates do not reach the 3- to 4-percent growth rate that you and President Trump have suggested, then as the Cabinet’s chief economic policymaker, what will your counsel be to President Trump if further tax rate cuts are suggested? Will you continue to press for additional tax cuts?

*Answer.* I agree that President Trump’s plan of lower taxes, reduced regulation, and better trade deals will generate sufficient growth.

*Question.* The current-law estate tax has the lowest tax rate and smallest tax base in decades. In 2013, estates valued above \$20 million paid an average tax rate of 18.8 percent—many achieving a lower effective rate through tax-planning strategies. That same year, only 120 of the 3,780 estates subject to the tax were farms and businesses—little more than 3 percent. What is the Trump administration’s plan regarding the estate tax?

Furthermore, how does reduction or repeal of the estate tax—a windfall for individuals at the very top of the income spectrum—benefit hardworking employees in the manufacturing sector?

*Answer.* We will work closely with Congress on the estate tax as part of overall tax reform.

*Question.* If confirmed, it will be up to you to administer the Nation’s laws that relate to combating currency manipulation. It will also be your job to represent the United States at the IMF, the OECD, the G7 and the G20. The Nation will rely on you to use these fora to work with other countries to ensure that global currencies are not distorted by government intervention.

The President, before and after the campaign, has promised that he is going to instruct you to label China a currency manipulator. This committee has put into law several important pieces of legislation to defend American jobs by combatting currency manipulation. While we all agree that China has in the past manipulated its currency—and may well do so in the future—China appears to have stopped intervening to devalue its currency in recent years and may even be taking steps to prevent depreciation. Do you disagree with that assessment?

*Answer.* Currency manipulation is a serious infraction of free trade principles and needs to be effectively addressed. As Treasury Secretary, I will ensure that we defend American jobs by combating currency devaluation through legislative processes established by Congress.

*Question.* It is possible that the incoming President could issue an executive order instructing you to name China a currency manipulator. This action runs the risk of undermining your credibility and the credibility of the United States when we seek to take on currency manipulation in the future. Would you advise President Trump to avoid taking actions that undermine the credibility of the United States?

*Answer.* If confirmed, I will carry out the responsibilities of the Treasury in identifying currency manipulation by U.S. trading partners.

*Question.* Mr. Mnuchin, as you know, the President has the authority to waive certain U.S. sanctions against Iran's energy sector and other industries if he believes Iran is complying with the Iran nuclear deal. As part of the deal, President Obama has exercised his authority to waive these sanctions. What factors would you weigh or encourage President Trump to consider when advising if he should waive sanctions as part of the Iran nuclear deal?

*Answer.* The President has stated his intent to enforce the Joint Comprehensive Plan of Action ("JCPOA"). In December 2016, Congress reauthorized the Iran Sanctions Act, extending the President's authority to enforce sanctions against Iran for another 10 years. As Treasury Secretary, and in consultation with the Secretary of State, I will act to fully enforce all existing sanctions against Iran—including with respect to its sponsorship of terrorism and other illicit activities. In the course of the President's national security advisors providing him information indicating the degree to which Iran is complying with the terms of the JCPOA, I will advise the President on the options available to him under the various Iran-related sanctions authorities to either continue waiving certain sanctions or to reimpose waived sanctions.

*Question.* The U.S. intelligence community and the International Atomic Energy Agency continue to monitor Iran's compliance of the nuclear deal. If both of these entities assess that Iran is largely upholding its obligations, would you recommend the United States continue to waive U.S. sanctions currently waived under the nuclear deal?

*Answer.* The President has stated his intent to enforce the JCPOA. As Treasury Secretary, and in consultation with the Secretary of State, I will act to fully enforce all existing sanctions against Iran—including with respect to its sponsorship of terrorism and other illicit activities. To the extent the President's national security advisors have information from the IAEA or the IC indicating that Iran is complying with the terms of the JCPOA, then I will advise the President accordingly on whether currently waived sanctions should remain as such.

*Question.* Broadly speaking, beyond the Iran nuclear deal, do you believe it is within U.S. national security interests to levy additional or fewer sanctions against Iran at this time?

*Answer.* The President has stated his intent to enforce the JCPOA, and Congress recently extended for another 10 years the authorities to impose and enforce sanctions against Iran in the Iran Sanctions Act. As Treasury Secretary, and in consultation with the Secretary of State, I will act to fully enforce all existing sanctions against Iran—including with respect to its sponsorship of terrorism and other illicit activities—and to advise the President on whether additional actions may be necessary to combat Iran's activities outside the scope of the JCPOA.

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QUESTIONS SUBMITTED BY HON. BENJAMIN L. CARDIN

*Question.* During the confirmation hearing, I asked you about President Trump's potential conflicts of interest. I would like to follow up on that question. As you know, I am very concerned about possible conflicts of interest with our foreign economic policy that may arise from our President's overseas business arrangements. If confirmed, you will be handling some of the most sensitive and significant negotiations between our country and the rest of the world.

Without financial disclosures by the President, do you have enough information to avoid conflicts between President Trump and our national interest?

*Answer.* Avoiding conflicts of interest is important. I will work with the professional ethics staff at the Department of the Treasury to ensure that conflicts are avoided.

*Question.* For decades, the United States has led a network of international institutions, from the World Bank to the IMF to what is now the WTO. They are far

from perfect, but they have helped to foster international coordination in crises from Asia in 1997 to the global economic collapse of 2008. They have worked to establish guidance and support for countries in financial crisis, to monitor economies and trends. And they have promoted predictability and rules for the conduct of international trade and finance, as well as forums for seeking important agreements.

Do you agree that these institutions are important to not only our trade and finance, but to our global leadership?

Answer. I agree that the United States has worked closely with many international institutions over the course of many years. If I am confirmed, I will work to ensure that all of our international and multinational relationships advance the interests of the American people and promote job creation and opportunity in America.

*Question.* As we discussed in your confirmation hearing, when you were nominated last November, you stated that “[a]ny reductions we have in upper-income taxes will be offset by less deductions so that there will be no absolute tax cut for the upper class.”

As far as I can tell from available estimates by the Tax Policy Center of President Trump’s tax plan, the top 0.1 percent (in terms of cash income percentile) would receive an average tax cut of over \$1 million. Those in the top 1 percent would receive an average tax cut of over \$200,000. Tax Foundation modeling also shows that the top 1 percent would have an increased after-tax income, using static scoring, of at least 10.2%.

What deductions would you repeal or amend to counteract this tax cut to upper-income households?

Could you please share the calculations your team has undertaken to make sure that the tax cut for the upper class will be fully offset by your changes?

If you disagree with the Tax Policy Center and Tax Foundation estimates on the tax cuts upper-income householders receive, could you please share the calculations your team has undertaken to show how their taxable income would change?

If you don’t have specific calculations, could you please explain why you believe your plan does not contain an absolute tax cut for the upper class?

Answer. President Trump’s objective is to pass tax reform that grows the economy and benefits all Americans. If confirmed, I will work with President Trump and Congress to ensure that middle-class families are not further burdened by higher taxes.

*Question.* With respect to middle-class tax cuts, you’ve stated: “When we work with Congress and go through this, it will be very clear. This is a middle-income tax cut. And the child care credit is a big aspect of this.” At the hearing, we discussed how important it was, to both of us, that any changes to the tax code result in a system that is at least as progressive as current law. I’m concerned by analyses by the Tax Policy Center, which show that President Trump’s tax reform plan would raise taxes of middle-class families with children.

Could you please provide me with specifics of what middle-income taxes you intend on cutting?

Answer. If confirmed, I will work with you to ensure that we do the best possible job of helping middle-class working families and individuals.

*Question.* Could you please share the calculations that your team has undertaken to make sure that your plan will be at least as progressive as the current income tax system?

Answer. At this time, we do not have any specific calculations to share. We will work with Congress to ensure that tax reform results in an appropriate distribution of the tax burden.

If confirmed, I will make sure you have the proper analysis of any proposed plan.

*Question.* In your hearing, you discussed the importance of economic growth in offsetting the revenues lost under the President’s tax reform plan. In previous statements, you’ve also implied that through this economic growth, higher revenues from individuals would finance business tax cuts. For instance, you’ve said, “[s]o we think that by cutting corporate taxes, we’ll create huge economic growth and we’ll have huge personal income, so the revenues will be offset on the other side.”

Is it your view that the tax cuts in the President's plan will be fully offset by economic growth?

Answer. Our objective is to have any tax cuts offset by economic growth.

*Question.* If so, could you please share your team's analysis supporting that position?

Answer. Our objective is to have any tax cuts offset by economic growth.

*Question.* Will you commit, as we discussed in our meeting, not to put forward a plan that will increase the deficit and put our country in a worse financial position?

Answer. Our objective is to have any tax cuts offset by economic growth.

*Question.* I understand that you and others on the President's team have met with my Republican colleagues in the House on their tax reform plan, known as the "House Blueprint."

Are you concerned about the criticisms that have been levied against the House plan with respect to increased costs to consumers? Do you agree or disagree with the analysis that the Blueprint will increase consumer costs?

Answer. President Trump has stated his support for a tax reform that would benefit all Americans. If confirmed, I will evaluate any tax proposals in light of these criteria, and I look forward to working with Congress in sharing our analysis.

*Question.* Many trade law experts believe that the border-adjustable tax embodied in the House Blueprint is not WTO-compliant.

Are you concerned that the House Blueprint, should it become law, would be challenged by our trading partners and would subject U.S. companies to potential retaliation?

Answer. I will work with Congress to ensure that tax reform is enacted that helps American companies compete and that creates, retains and returns jobs to our shores. As President Trump has said, our tax and international trade policies must work together to ensure American companies and workers benefit.

*Question.* As you may know, the IRS has previously tried to use private debt collectors to collect tax debt twice in the past. In both instances, the agency actually lost money. According to data from the IRS, during the last effort, from 2006–2009, the Treasury ended up receiving \$63.4 million in revenue but paying \$67.8 million in costs (including commissions to private debt collection companies), resulting in a net loss of over \$4 million.

Of non-commission administrative costs, a significant portion was dedicated to protecting taxpayer data—an issue I know you are particularly concerned about. Using private collection agencies adds another, non-governmental party into a transaction and could jeopardize taxpayer privacy. This is exacerbated by the fact that using private debt collection agencies has provided another route for tax scammers to fraudulently obtain taxpayer data by imitating private collection agents.

In addition, close to 80% of those cases that are required to be turned over to private collections involve taxpayers below the poverty limit, according to IRS data. These households are often experiencing extreme economic distress and so would not be able to pay this debt, regardless of whether the IRS or private collection agencies were the collection agent.

Finally, for those taxpayers who can pay, I'd also point out that unlike the IRS, private collection agencies have no authority to enter into offers in compromise and have no access to other tools that could make successful collection more likely.

Do you favor the use of private collection agencies to collect tax debt?

If so, how would you address the problems mentioned above?

Answer. I believe the IRS should be responsible for collecting most money due the Treasury. When there is such a large amount outstanding, using private agencies seems to be an appropriate solution. To the extent that there are problems, if confirmed, I am committed to working with Congress to resolve those issues.

*Question.* President Trump has consistently mentioned infrastructure investment as a major priority for his administration. A key part of any effective infrastructure program should be improving our existing commercial and residential building

stock. Energy efficiency provisions in the tax code, such as the energy efficient commercial buildings deduction (section 179D), have been shown to achieve this goal while creating jobs in the construction and design industry and improving the energy usage by buildings to the benefit of taxpayers.

Are you willing to work with me to ensure that energy efficiency measures are included in any Trump administration infrastructure plan?

Answer. If confirmed, I look forward to helping fulfill the President's pledge to revitalize America's crumbling infrastructure, including through whatever reviews and procedures fall to the Department of the Treasury in that process. I would look forward to working with your office to solicit your views and input.

*Question.* During my recent meeting with you, we spoke about my commitment to retirement and savings issues. I believe that significant, bipartisan work can be done next Congress to ensure that all Americans have a dignified and secure retirement, including by expanding saving opportunities through employer-based retirement plans.

Employer-based retirement plans like 401(k)s are a critical component of our Nation's retirement system. Over 60 million workers participate in these plans, the majority of whom are in lower- or middle-income households that need support in saving for retirement. Current tax incentives encourage employers to establish and maintain these savings plans as benefits for their workers, a critical decision factor, particularly for small business owners, who must balance a number of competing financial priorities.

I also strongly support the retirement measures unanimously reported out of the Finance Committee last September, including the noncontroversial measures in the Retirement Enhancement and Savings Act. These smaller provisions would have a large impact on the promotion of retirement security and savings. For instance, with Senator Portman, I cosponsored an amendment that would prevent hundreds of thousands of defined benefit plan participants from having their benefits curtailed through an unintended effect of the nondiscrimination testing rules applicable to those plans. I also cosponsored amendments that would clarify current law to ensure that all church-related organizations have the ability to participate in church 403(b)(9) retirement plans, and streamline the law with respect to IRAs owning S Corporation shares.

Should you serve as Treasury Secretary, I hope that we can work together to get these provisions across the finish line.

More broadly, will you commit to expanding savings opportunities, especially for low- and middle-income Americans, in any Trump administration tax reform plan?

Answer. The lack of retirement savings is a major concern for families across America. If confirmed, I pledge to work with Congress to pass comprehensive reforms that simplify the tax code and make it easier for families to improve their lives today and tomorrow.

*Question.* President Trump has repeatedly indicated that he wants to address poverty and joblessness in America. He has also emphasized the need to help those who have lost their jobs because the company they were working for moved overseas as well as the desire to encourage businesses to relocate back to the United States.

One of the programs for which the Treasury Department shares responsibility with the Department of Labor is the Work Opportunity Tax Credit (WOTC). WOTC helps over 1.3 million Americans find work in the private sector. Studies by Dr. Peter Cappelli, a Wharton School of Business Labor Economist, indicate that the program more than pays for itself in savings from entitlement programs and that employers using it change their hiring practices to hire those who are eligible.

Will you work with our office to make WOTC a permanent part of the President's goal of reducing poverty, encouraging companies to bring jobs back to the United States, and helping Americans displaced by overseas competition?

Answer. Bringing jobs back to the United States and helping American workers displaced by factories moving overseas are cornerstones of the President's platform, so I join you in your desire to encourage businesses to relocate back to the United States. If confirmed, I will work with you and all stakeholders to ensure that economic incentives are aligned to facilitate job creation and business relocation here in the United States.

*Question.* During his campaign, the President often mentioned his intention to revitalize low-income urban neighborhoods and to encourage job creation through infrastructure investment. Credits like the New Markets Tax Credit program and Historic Tax Credit program have been an important factor in the revitalization of communities across the country, including in my hometown of Baltimore.

Working with Senator Blunt, Senator Schumer and others I was pleased that NMTC was extended for 5 years in the bi-partisan PATH Act of 2015. I intend to introduce bipartisan legislation in this Congress to make NMTC a permanent part of the tax code.

Since the credit was launched in 2001, \$38 billion in direct NMTC investments were made in businesses and these NMTC investments leveraged over \$75 billion in total capital investment to businesses and revitalization projects in communities with high rates of poverty and unemployment.

This financing has resulted in the creation of 750,000 jobs and the financing of commercial and industrial facilities, day care and health-care centers, mixed-use facilities, and small business loans, all of which improve local economies and the quality of life in distressed neighborhoods.

In Maryland, some \$800 million in NMTC capital has leveraged more than \$2 billion in other financing for a range of projects and created over 25,000 construction jobs and more than 7,000 permanent jobs.

NMTC has been an important factor in the revitalization of East Baltimore and the establishment of a Life Sciences Building that is a key element of a large effort to support business and civic leaders to revitalize that area. It is also a key financing source for a new facility at Baltimore's Maryland Institute College of Art, as well as a new business incubator that will foster the growth of entrepreneurial food vendors.

Another infrastructure and community development program that has seen similar success and bipartisan support is the Historic Tax Credit. Working with Senator Collins, I've introduced—and plan to reintroduce—legislation that would encourage economic development and job growth across the country by making common-sense changes and enhancements to the Federal HTC.

Since the creation of the credit, the HTC program has generated \$78 billion in historic preservation activity to rehabilitate more than 41,250 historic properties, including the creation of over 525,000 housing units, of which approximately 150,000 are low and moderate-income units. Historic preservation programs have created more than 2.36 million jobs nationwide since 1978 (85,058 new jobs in FY 2015). A recent study by the National Trust for Historic Preservation estimates that every \$1 of credits generates a minimum of \$4 of private sector investment.

In Maryland, the Federal HTC has supported hundreds of projects that have spurred economic growth in communities around the State, ranging from the development of a multicultural service center to affordable housing units for teachers and office space for nonprofit educational organizations.

Given the President's goals, do you agree that credits like the NMTC and HTC can play a critical role in community redevelopment and infrastructure?

Can you commit to retaining these important incentives in a Trump administration tax reform package?

Answer. Our objective is to grow the economy and economic opportunity. If confirmed, I will work with you and other members of Congress to ensure that the appropriate incentives are retained.

*Question.* As we have discussed, IRS resources have been extremely constrained due to recent budget cuts. As a result, it is difficult for the IRS to reach many lower-income, rural, or elderly taxpayers who require assistance or guidance filing their tax returns.

Last year, Volunteer Income Tax Assistance (VITA) programs made up for this service shortfall by helping to file returns for these taxpayers, returning about \$56 million in refunds to just over 50,000 Marylanders.

Do you support Volunteer Income Tax Assistance programs and the role they play in helping vulnerable taxpayers promptly and accurately file their returns?

Answer. I will work with your office to review the issues associated with Volunteer Income Tax Assistance grant programs.

*Question.* Along with my colleague Senator Roberts, I have co-authored legislation that will encourage employee ownership and the creation of more Employee Stock Ownership Plan (ESOP) companies. Last Congress, the bill had 35 bipartisan co-sponsors, including 12 from the Finance Committee. ESOP companies are proven job creators, while also providing meaningful retirement savings to their employee owners.

Will you commit to working with Congress to promote employee ownership and ESOPs?

Answer. If confirmed, I commit to work with Congress to evaluate these proposals and any others that promote income growth and opportunity for working Americans.

*Question.* There is a significant number of tax treaties and protocols pending before the Senate. These treaties are very important to many U.S. businesses, including companies in my home State of Maryland.

Do you support the timely ratification of these treaties?

Answer. If confirmed, I look forward to the opportunity to receive a more comprehensive briefing regarding any pending agreements and protocols, and to working with the Senate to promote international agreements that promote jobs, economic growth and opportunities for Americans.

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QUESTIONS SUBMITTED BY HON. SHERROD BROWN

*Question.* Mr Mnuchin, in addition to Senator Heller's request for foreclosure data in Nevada, would you please provide a state-by-state breakdown of the foreclosures initiated by OneWest? Would you also provide a breakdown of the number of permanent HAMP modifications as well as the number of permanent propriety modifications that OneWest completed while you were chairman?

Answer. Because I am no longer employed by or affiliated with CIT Group, I do not have access to this information.

*Question.* Mr. Mnuchin, I understand that OneWest sent a letter to the OCC explaining the problems in the HECM book of Financial Freedom when you were seeking approval for a merger with CIT, but you referenced a 2015 letter that you sent to HUD. Would you provide the committee a copy of the letter referenced in your testimony?

Answer. Because I am no longer employed by or affiliated with CIT Group, I do not have access to this information.

*Question.* OneWest/CIT has had several allegations leveled against it for violating rules or laws administered by HUD or FHA. What processes or protections have you, or will you, and Dr. Carson put in place to ensure that HUD, FHA, and its Inspector General has a fair process for evaluating your former institution's dealings with HUD and FHA, and that HUD, FHA, and the Department of Justice are impartial and not influenced in an improper manner?

Answer. Because I am no longer employed by or affiliated with CIT Group, I do not have access to this information.

*Question.* Mr. Mnuchin, of the loans originated by IndyMac that you then purchased, would you provide the number of 30-year, fixed-rate loans; adjustable rate mortgages; 2/28 adjustable rate mortgages; and no documentation loans? Would you also provide the number of agency (Fannie Mae, Freddie Mac, FHA) loans serviced by OneWest?

Answer. Because I am no longer employed by or affiliated with CIT Group, I do not have access to this information.

*Question.* Mr. Mnuchin, President Trump's nominee for HUD Secretary, Dr. Ben Carson, raised questions about the continuation of the 30-year, fixed-rate mortgage in his confirmation hearing.

Do you believe the widely available 30-year fixed-rate mortgage is an important aspect of our housing market?

What would happen to home equity and home values if access to the 30-year fixed rate decreased or if the product became more expensive?

You mentioned that you want to seek a housing finance market solution that doesn't put taxpayers at risk or eliminate capital for the housing market. Given that

retained capital at the GSEs will be zero a year from now, can you provide more information about a solution that protects taxpayers, maintains capital, and expands access and affordability for borrowers who can sustain homeownership?

Answer. Because I am no longer employed by or affiliated with CIT Group, I do not have access to this information

*Question.* On December 21, 2016, I sent you a letter asking a series of questions, which you have not responded to, but you have said you will respond to. I am submitting those questions again.

As a former partner at Goldman Sachs, reportedly overseeing the mortgage trading desk, you have described structured financial products as “an extremely positive development in terms of being able to finance different parts of the economy and different businesses efficiently.” What are your views on the role these products played in the financial crisis of 2008? Will you be a strong defender of the regulatory framework created by Dodd-Frank for complex securities and derivatives? If not, why not?

Answer. It has been over 6 years since the passage of Dodd-Frank, and it seems like an appropriate time to review all of the regulations from Dodd-Frank to understand their impact on the market, investors, small businesses, and economic growth.

*Question.* As someone who purchased a failed thrift at a price subsidized by American taxpayers and accompanied by a generous loss sharing agreement provided by a government-run insurance fund, what are your views on the most effective ways to prevent bank failures?

Answer. As two senior FDIC officials wrote in the January 19, 2017 issue of the *Wall Street Journal*, the bid my colleagues and I submitted to buy the IndyMac assets was almost \$1 billion more than the next best bid. It was the only bid that preserved the institution and its thousands of jobs more or less intact. As I have previously said, the best way to avoid bank failures in the future is to restore sound underwriting practices.

*Question.* As chairman and CEO of a financial institution that has been labeled a “foreclosure machine” do you believe the Federal Government should maintain its loss mitigation and foreclosure prevention programs or not? Will you support the regulatory efforts of the Office of the Comptroller of the Currency, including those affecting mortgage servicers or not?

Answer. The current modification programs are not within the purview of Treasury, as they are administered by HUD, FHFA, and certain other agencies. Treasury’s Home Affordable Modification Program no longer accepts application from home owners. The program ended acceptance of applications on December 30, 2016.

Regarding the regulatory efforts of the OCC, I will support its efforts to ensure that national banks and Federal savings associations operate in a safe and sound manner and comply with applicable laws and regulations, and encourage loan modifications where applicable.

*Question.* As a former executive at a bank that has been accused of “failing to effectively market, offer, and originate mortgage loans and other loan products in communities of color,” what are your views on the importance of fair lending laws?

Answer. The Federal fair lending laws—the Equal Credit Opportunity Act and the Fair Housing Act—prohibit discrimination in credit transactions, including transactions related to residential real estate. In enacting the Equal Credit Opportunity Act of 1974, Congress found a need to insure that the various financial institutions and other firms engaged in the extensions of credit exercise their responsibility to make credit available with fairness, impartiality, and without discrimination. Congress further found that economic stabilization would be enhanced and competition among the various financial institutions and other firms engaged in the extension of credit would be strengthened by an absence of discrimination. I agree with these very important findings.

*Question.* As a recent former board member of a large regional bank, what are your views on the proper role of regulation in overseeing large regional banks?

Answer. I believe that banks that have FDIC insurance should be appropriately regulated, however I believe in a regulatory framework that is determined by complexity and activity, not simply size.

*Question.* As a former executive of a bank, you know that the Treasury Department has been at the forefront of our Nation’s national security policy through the



use of economic sanctions and targeted financial measures, as you oversaw compliance efforts in this area. In light of the continuing threat from terrorist financing, money laundering, and other illicit finance risks to our financial system, what role do you see the Treasury Department playing in this area?

*Answer.* The Office of Terrorism and Financial Intelligence marshals the intelligence and enforcement functions with the twin aims of safeguarding the financial system against illicit use and combating rogue nations, terrorist facilitators, weapons of mass destruction proliferators, money launderers, drug kingpins, and other national security threats.

*Question.* As a hedge fund partner, will you, as Chair of the Financial Stability Oversight Council, continue the efforts of the Oversight Council to address the risks that so called shadow banks and other non-banks might pose a risk to the economy?

*Answer.* If confirmed as Chairman of FSOC, I will review the work the council has done on so-called shadow banks and non-banks to analyze the risk that they pose to the economy.

*Question.* How will your past business—and presumably social—connections to hedge fund partners who invested in preferred shares of the Government Sponsored Enterprises, Fannie Mae and Freddie Mac, inform your views on efforts to reform those enterprises?

*Answer.* My business and social connections will have no impacts on my view for housing reform. My views are a result of over 30 years experience in housing finance.

*Question.* You recently stated that, “We’ve got to get Fannie and Freddie out of government ownership. It makes no sense that these are owned by the government and have been controlled by the government for as long as they have . . . [W]e gotta get them out of government control.” Please explain what you meant by this statement.

*Answer.* We should work on housing reform such that Fannie Mae and Freddie Mac do not continue in conservatorship for the next 4 years. Any solution needs to make sure that we do not put the government at risk again while making sure the solution provides necessary liquidity for housing.

*Question.* Finally, though the law requires that you recuse yourself from participating in decisions that could benefit you or your close family financially, what additional steps will you take to provide Congress and the American public confidence that you are not using the power of the United States Treasury to benefit your current or former business partners, or disadvantage their competitors?

*Answer.* I will follow all rules and guidance related to standards of ethical conduct for employees of the Department of the Treasury and the executive branch, as well as any other applicable rules identified by the Office of General Counsel of the Treasury Department.

*Question.* The December 21, 2016 letter also included the following question: as a former executive at a bank that merged with a large regional bank under your leadership, please describe the investigation currently being conducted by the Office of the Inspector General of the Department of Housing and Urban Affairs, your involvement at OneWest during the period in question, and whether any continued cooperation with this investigation will impair your ability to serve as Secretary of the Treasury.

*Answer.* I have had no involvement in the HUD investigation, so I have no reason to believe it will impair my ability to act as Secretary of the Treasury.

*Question.* In 2014 and 2015, many of your business dealings converged. In October 2014, you joined the board of directors of Relativity Media as non-executive co-chairman. Around the same time, Dune Capital Investment (Dune Capital Partners IV), a fund you managed, invested in Relativity, and your bank, OneWest, loaned hundreds of millions of dollars to Relativity Media. Please answer the following questions.

What were your responsibilities as non-executive co-chairman of Relativity Media’s Board. How much were you compensated while you served on the Board?

*Answer.* I had no management responsibilities. My role as non-executive co-chairman was similar to any non-executive chair role of a business. I received no compensation for serving in this role.

*Question.* At the time you joined Relativity's Board, how much had OneWest loaned or invested in Relativity, and how much more did it lend or invest between October 2014 and May 2015 when you left the Board?

*Answer.* OneWest did not make any equity investments in Relativity. In response to the committee staff questions dated January 4, 2017, I requested information from OneWest/CIT regarding the banks extensions of credit exceeding the Regulation O disclosure requirements. The information I received was provided to the committee staff on January 12, 2017. In response to the committee staff questions dated January 13, 2017, I requested additional identification of each loan. The information I received from OneWest/CIT was provided to the committee on January 18, 2017.

*Question.* What was the total investment (debt and equity) that Dune Capital Investment (or Dune Capital Partners IV or other related funds) made in Relativity Media. How much did you personally invest in Relativity?

*Answer.* Dune Capital Partners IV originally invested roughly \$78 million. My related entities invested \$26 million. I personally had beneficial ownership in \$10.5 million through my ownership of STM Partners.

*Question.* When you left the Relativity Board in May 2015, did you know, or based on your financial expertise realize, that Relativity was going to have to declare bankruptcy? When did you know that OneWest was going to sweep funds from Relativity's accounts?

*Answer.* I was aware that board was discussing the possibility of declaring bankruptcy. I was not involved in any discussion as it relates to OneWest sweeping funds from Relativity's accounts.

*Question.* Did your resignation from the Relativity Board have anything to do with OneWest's upcoming withdrawals or your knowledge of it?

*Answer.* No.

*Question.* How much money did OneWest lose when Relativity declared bankruptcy? How much did Dune lose? How much did you personally lose?

*Answer.* OneWest was a secured lender and did not lose money when Relativity declared bankruptcy. As information has been previously supplied to the committee, the majority of the OneWest loans have been paid off.

*Question.* In the confirmation hearing, you claimed that Relativity Media did not receive Chinese investment. Yet news reports, such as an article in the Los Angeles Times ("Relativity Media expands in China with the new deal, partners," June 16, 2014), identified two "new Chinese partners" in Relativity Media as Jiangsu Broadcasting Corp. and Seedshine Capital. The article quoted your friend and Relativity Media chief executive Ryan Kavanaugh about the Chinese partnership: "The partnerships . . . will deepen our relationship with the Chinese media and entertainment industry and provide a world-class platform from which to co-develop Chinese and international film and television content from two leading organizations." Having considered this information, please explain the nature of the business relationship between Relativity, Jiangsu, and Seedshine. Would you still testify before the Finance Committee that Relativity Media had no Chinese investors?

*Answer.* To the best of my knowledge, these entities were not investors in Relativity Media Holdings, which was the question I was answering.

*Question.* Do you have concerns about Chinese investors increasing their financial stake in Hollywood as a way of increasing their so-called "soft power" in the world?

*Answer.* I believe that these acquisitions may need to be reviewed by CFIUS, as appropriate.

*Question.* As I mentioned in the confirmation hearing, I am concerned that the U.S. Government has not been tough enough on China, and American workers, particularly in the steel and aluminum industries, have paid the price. What specific tools and authority at Treasury will you use to address these unbalanced trade relationship and increase China's compliance with its international trade obligations? How do you see Treasury policies and actions benefiting laid off steelworkers in Lorrain, OH?

*Answer.* Treasury has congressional authority to examine the exchange-rate practices of major trading partners to identify nations that engage in currency manipulation. I will work with the Secretary of Commerce to help ensure that the trade laws of the United States are enforced. I will also work with Congress to ensure

our trade laws adequately address harm to our industries and workers from unfair trade practices.

*Question.* Do you think the Strategic and Economic Dialogue has been successful in getting concrete commitments from the Chinese?

*Answer.* The U.S.-China Strategic and Economic Dialogue as I understand it, has provided a useful bilateral forum to discuss a broad range of issues between the two nations. I hope to use this forum to promote the economic interests of American workers.

*Question.* What goals would you have for the Strategic and Economic Dialogue in your first year as Treasury Secretary?

*Answer.* If confirmed, I would work to ensure that the S&ED process focuses on improvements in trade and other financial relationships between the United States and China, with focus on positive economic results for American workers and American companies.

*Question.* In your testimony to the Finance Committee, you said that you would not commit to developing or making public a comprehensive plan to address global overcapacity in the steel industry within the first month on the job. You did, however, commit to meeting with me on the topic. I look forward to scheduling that meeting very soon. In advance of that meeting, please describe what you think are the biggest causes of global steel overcapacity and what the U.S. objective should be in addressing global overcapacity.

*Answer.* I appreciate your interest in addressing the problem of global overcapacity in the steel industry and would look forward, if confirmed, to meeting with you to examine the causes and discuss potential remedies. I will ask Commerce Secretary Wilbur Ross to join me, who also has experience in this area.

*Question.* Do you think the United States should negotiate a bilateral free trade agreement with China? Do you think the United States should continue negotiations of the U.S.-China Bilateral Investment Treaty?

*Answer.* If confirmed, I will seek to work with my counterpart in China to promote fair and open access to Chinese markets, on terms that do not discriminate against or disadvantage American companies.

*Question.* Do you think Chinese state-owned enterprises should be allowed to invest in the United States, either through an acquisition or a greenfield project?

*Answer.* Under current law, CFIUS is required to review an acquisition or investment by a foreign entity that would give it control over a U.S. person to determine whether the transaction might have an impact on our national security. If confirmed, I would strongly object to any transaction that, in the course of review, is determined to potentially endanger the safety of our citizens.

*Question.* Over the last several years, the Committee on Foreign Investment in the United States (CFIUS) has reviewed an increasing number of Chinese acquisitions of U.S. companies, some in industries viewed as strategic investments by the Chinese Government. Some of the acquirers or investors have ties to Chinese state-owned enterprises and/or the Chinese Government. Will you commit to a strong CFIUS review process and appropriate resources for all reviewable acquisitions, including but not limited to Chinese investments that raise national security concerns.

*Answer.* If confirmed, I pledge to ensure a strong CFIUS review process for all reviewable transactions.

*Question.* Do you think the International Monetary Fund has been effective in addressing currency manipulation globally?

*Answer.* The IMF and other multilateral institutions do not appear to have prevented nations from manipulating the value of their own currencies.

*Question.* Do you think the United States should enter into a bilateral or multilateral trade agreement with a trading partner that has a history of manipulating its currency?

*Answer.* The United States should enter into trade agreements that allow for fair and equal access to foreign markets on terms that do not discriminate against American businesses, that benefit American workers and create opportunity for Americans.

*Question.* What is the most effective action the Treasury Secretary can take to address currency undervaluation in one of our trading partners? Do you think prohibiting the Overseas Private Investment Corporation from approving any new financing in a country will be a significant enough action that results in countries changing their exchange rate policies?

*Answer.* The Trade Facilitation and Trade Enforcement Act of 2015 provides specific actions to be taken if a Nation is found to manipulate its currency, and such Nation refuses to modify its activities. If confirmed, I pledge to fully enforce the law, as well as work with Congress to the extent further remedies are deemed to be necessary.

*Question.* Did you or any entities that you owned or managed ever have any role, relationship, or transactions with Ingenious Media Holdings, plc, or Ingenious Capital Holdings Ltd., or any of the entities they owned or controlled with respect to the financing or any aspect of the production of any film? If so, did you claim any deduction for any investment in any of those films that were later denied by a tax authority?

*Answer.* To my knowledge, neither I nor any entities that I owned or managed had any investment in or relationship with Ingenious Media Holdings, plc, or Ingenious Capital Holdings Ltd., or entities owned or controlled by Ingenious.

*Question.* Does the administration support making the New Markets Tax Credit permanent and expanding the size of the annual allocation to meet demand?

*Answer.* The Trump administration is committed the growing the overall economy and improving efficiency in our tax code. If confirmed, I pledge to use these principles as guidelines when working with Congress to enact measures that will assist in meeting our common goal of reducing overall tax burden while growing the economy.

*Question.* Do you agree that better enabling law enforcement to obtain the identities of the beneficial owners of shell companies would help law enforcement to uncover and dismantle criminal networks?

*Answer.* I agree that law enforcement's anti-money laundering efforts face serious challenges if it is unable to determine the beneficial ownership of the various companies and entities that utilize the U.S. financial system. This is a real vulnerability with regard to transparency that various bad actors, including terrorists and criminals, can exploit, and I will support appropriate efforts that seek to fill this gap.

*Question.* Would you be willing to work with the bipartisan group in Congress and the financial institutions who have supported the collection of meaningful beneficial ownership information by authorities at the time of incorporation?

*Answer.* If confirmed, I would look forward to working with Congress and the various equities impacted by beneficial ownership due diligence requirements to address the issue of collecting beneficial ownership information.

*Question.* Do you support Volunteer Income Tax Assistance programs? VITA volunteers have a 94% return accuracy rate. Will you support authorization of the Volunteer Income Tax Assistance grant program?

*Answer.* I will work with your office to review the issues associated with Volunteer Income Tax Assistance grant programs.

*Question.* Will the Trump administration's tax reform plan encourage capital formation by expanding this savings opportunity for middle-income Americans, many of whom currently lack this option, and as a result are not saving, or not saving enough?

*Answer.* The Trump administration is committed to reducing the complexity and overall burden of the tax code for all Americans, especially lower- and middle-income earners. I pledge to work with Congress to determine measures that will achieve our common goals of reducing the tax burden for struggling Americans and encouraging economic growth.

*Question.* Do you support repealing carried interest?

*Answer.* Our proposed tax reform plan will recommend repealing carried interest on hedge funds.

*Question.* Do you support a refundable saver match?

Answer. If confirmed, I look forward to working with Congress on what the best course would be for the American people.

*Question.* Do you agree that it is irresponsible to condition raising the debt limit on other policy changes?

Answer. If confirmed, I would hope that Congress will raise the debt limit as needed.

*Question.* Should anyone who works full-time have after tax income below Federal poverty standards?

Answer. One of the primary goals of the Trump administration is to grow incomes for lower- and middle-class Americans. Through significant tax reform and regulatory changes, it is our intention to unlock the economy so more Americans have access to greater opportunities and higher incomes.

*Question.* What evidence will you cite to justify that cutting tax rates while reducing or holding government spending static will result in 4 percent economic growth? Please provide historical examples?

Answer. If confirmed, I pledge to work with Congress on how to grow our economy while balancing the fiscal affairs of government and advise President Trump on the best course of action.

*Question.* Should derivative positions be marked to market for tax purposes?

Answer. If confirmed, I look forward to working with Congress to determine the best course of action on this issue.

*Question.* Is Last In First Out accounting an appropriate method for some companies to keep records?

Answer. As part of any comprehensive tax reform, we will study and consider the impact of this issue.

*Question.* Please list three ways we can expand the Earned Income Tax Credit and the Child Tax Credit to promote work.

Answer. I look forward to working with your staff on this issue.

*Question.* What are the best tools, within the jurisdiction of the Treasury, to improve outcomes for children?

Answer. We believe that the best tools are to incorporate into tax reform incentives for child care and elderly care.

*Question.* Do you believe implementing Pigouvian taxes is an appropriate way to achieve policy goals?

Answer. It is our goal to comprehensively review and change the tax code, so that it is a fairer and more efficient system that encourages economic growth. If confirmed, I pledge to work with Congress on how to best achieve these results.

*Question.* What is your position on the MyRA program?

Answer. We should, in a bipartisan fashion, work to increase retirement savings for all Americans. This should be an essential feature of overall tax reform. If confirmed, I would look forward to working with Congress on any measures that achieve this.

*Question.* Do you support preserving section 1031 in tax reform?

Answer. If confirmed, I pledge to examine section 1031 and give it the attention it merits.

*Question.* Do you support expanding the capacity of the VITA program?

Answer. I will work with your office to review the issues associated with Volunteer Income Tax Assistance grant programs.

*Question.* Is it appropriate and fiscally responsible to ask private debt collectors to pursue debts that the IRS believes are uncollectible?

Answer. I believe the IRS should be responsible for collecting most money due the Treasury. However, when there is such a large amount outstanding using private agencies it "seems like a very obvious thing to do." To the extent that there are problems, if confirmed, I am committed to working with Congress to resolve those issues.

*Question.* In light of systemic changes to the U.S. economy over the last 4 decades, is the section 784 safe-harbor still relevant policy?

*Answer.* Per the President's commitment to reforming the tax code, this and many other sections will be scrutinized to determine their relevancy in the current economic climate. If confirmed, I will work with Congress and the President to ensure that the tax code works best for the economy and for U.S. taxpayers.

*Question.* What steps would you take to modernize private activity bonds?

*Answer.* Private activity bonds are a valuable way to incentivize private investment in America's infrastructure. There are areas where we can improve private activity bonds, including changing volume caps for certain types of projects. If confirmed, I plan to review ways to enhance private activity bonds with the goal of driving more private investment into American infrastructure.

*Question.* What are your views on ways to strengthen the American Opportunity Tax Credit?

*Answer.* If confirmed, I will look forward to discussing with your office your views on the American Opportunity Tax Credit.

*Question.* In December 2015, the IRS issued Revenue Procedure 2015-57, which addresses the taxability of student loan discharges under the Department of Education's Defense to Repayment Process. Under the Defense to Repayment Process, the Department of Education is required to discharge a "Federal Direct Loan if a student loan borrower establishes, as a defense against repayment, that a school's actions would give rise to a cause of action against the school under applicable State law." The IRS determined that while the Higher Education Act does not provide a statutory exclusion from gross income that a taxpayer could exclude amounts discharged under this process from gross income under a provision of the code or other tax law authorities, specifically that most borrowers whose Corinthian student loans are discharged under the Defense to Repayment discharge process would be able to exclude from gross income all or substantially all of the discharged amounts based on fraudulent misrepresentations made by the colleges to the students, the insolvency exclusion, or other tax law authorities. They also stated that determining whether one or more of these exceptions is available to each affected borrower would require a fact intensive analysis of the particular borrower's situation to determine the extent to which the discharged amount is eligible for exclusion under each of the potentially available exceptions and that the Treasury Department and IRS believe that such an analysis would impose a compliance burden on taxpayers, as well as an administrative burden on the IRS, that is excessive in relation to the amount of taxable income that would result. Accordingly the IRS decided that it would not assert that a taxpayer who attend Corinthian who were eligible for Defense to Repayment would have their loan discharge recognized as gross income. On January 19th this was extended to students who attended American Career Institutes and had their loans discharged via the Defense to Repayment process. Will you ensure that any Corinthian or American Career Institutes student who has their loan discharged under the Defense to Repayment process will continue to have this discharge excluded from the taxpayer's gross income? Will you extend this guidance to student who attended other institutions who also have their loans discharged via the Defense to Repayment process?

*Answer.* If confirmed, I would look forward to working with you on what the best course would be for the American people.

*Question.* On January 17, 2017, the Department of the Treasury and the Department of Education announced that they signed a Memorandum of Understanding (MOU) establishing a framework regarding the requirements for electronically sharing tax data over multiple years for Federal student loan borrowers participating in Income-Driven Repayment (IDR) plans. Will you commit to supporting this MOU?

*Answer.* If confirmed, I would look forward to working with you on what the best course would be for the American people.

*Question.* What do you think will be the effect of the border tax proposal in the House Tax Reform plan? Is it true that the export subsidy will cause profitable U.S. corporations to never pay Federal income taxes again?

*Answer.* As I mentioned earlier, I am committed to working with Congress to craft the best possible tax reform plan to serve all Americans.

*Question.* Are you aware that the export subsidy is paid for with an import tax that in some cases is 3 to 5 times larger than a retailer's profits and can only result

in a large price increase for middle-class consumers—in other words, the export subsidy will be paid for by middle-class consumers.

*Answer.* Per the President's stated commitment to tax reform, this and many other externalities resulting from the current tax code will be scrutinized. If confirmed, I will work with Congress and the President to reform the tax code so that it meets with the President's fiscal priorities.

*Question.* Many of the foremost exchange rate experts say that the dollar would have to strengthen by 25% to offset the cost of the tax. What are the negative implications to the economy of the dollar strengthening by that much?

*Answer.* The strength of the dollar has historically been tied to the strength of the U.S. economy and the faith that investors have in doing business in America. From time to time, an excessively strong dollar may have negative short-term implications on the economy.

*Question.* Do you believe that the dollar strengthening would cause a huge transfer of wealth to foreigners who own U.S. assets and would reduce the value of assets owned by Americans overseas?

*Answer.* A stronger dollar increases U.S. dollar purchasing power. To the extent the dollar gains strength relative to other currencies, assets priced in those other currencies would become cheaper on a dollar basis.

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QUESTIONS SUBMITTED BY HON. MICHAEL F. BENNET

*Question.* Mr. Mnuchin, in commenting on tax reform, you recently said, "Any reductions we have in upper-income taxes will be offset by less deductions so that there will be no absolute tax cut for the upper class." In examining the second Trump tax plan released in the campaign, the non-partisan Tax Policy Center found "the highest-income households would receive the largest cuts, both in dollars and as a percentage of income."

In fact, the top .1% of earners would receive an average tax cut of almost \$1.1 million. And the top 1% of earners would receive a tax cut of \$214,690. In contrast, a family in the bottom 20% would receive a tax cut of \$110.

Given this analysis, does the Trump tax plan meet your standard? What types of changes would you make to this plan to ensure that upper income taxpayers won't receive an absolute tax cut?

*Answer.* President Trump's objective is to ensure that tax reform, when enacted, benefits hardworking Americans by putting more money in their pockets and creating more jobs and opportunities. If confirmed, I will work with Congress to achieve that objective and maintain an appropriate level of progressivity.

*Question.* Earlier this week, Mr. Trump expressed his concern about the House proposal to create a border adjustment as a way of curbing corporate inversions. He said that the plan was "too complicated." He also said, "Anytime I hear border adjustment, I don't love it because usually it means we're going to get adjusted into a bad deal. That's what happens." Later, however, he said, "It's certainly something that's going to be discussed." Ways and Means chairman Brady said that the President-elect's team was "deeply engaged" in talks with the House about the tax.

Can you tell the committee the incoming administration's views on the border adjustment plan?

*Answer.* The administration is still evaluating the impacts of the House Republican Blueprint's border adjustment tax plan. As this plan is further built out and additional details released, the administration will be able to share additional views.

*Question.* Are you "deeply engaged" in crafting this proposal?

*Answer.* If confirmed, I will be leading the administration's efforts on tax reform, working closely with other people within the administration.

*Question.* Do you expect a border adjustment plan to be a centerpiece of the incoming administration's tax proposal?

*Answer.* As part of the tax reform process, we will examine all proposals put forward for their impact on keeping companies in the United States, and on creating, retaining and returning jobs to our shores. I intend to work closely with the committees of jurisdiction, namely the Committee on Ways and Means and the Committee

on Finance, as well as the leadership in both chambers, to ensure that tax reform benefits American companies and American workers first.

*Question.* Given the President-elect's focus on infrastructure, can you provide more details on the incoming administration's plans? What portion of the infrastructure plan will be direct funding versus financing tools such as tax exempt bonds or an infrastructure bank?

*Answer.* The Trump administration will indeed be very focused on enhancing America's infrastructure, and will consider various options.

*Question.* Both the Child and Earned Income Tax Credits have lifted millions of families and children out of poverty. Families with the youngest children, however, often receive smaller amounts through the Child Tax Credit. I recently introduced a bill to make the child credit more refundable and larger for families with young children. Would the incoming administration consider these types of improvements to the Child Tax Credit as part of tax reform?

*Answer.* Thank you for your work on this important issue. Improving access to and the affordability of childcare is a priority for the new administration. President Trump proposed several options in this area during the campaign, and we look forward to working with you and the rest of Congress to advance meaningful reforms.

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QUESTIONS SUBMITTED BY HON. ROBERT P. CASEY, JR.

*Question.* Mr. Mnuchin, China recently surpassed Canada to become the United States' biggest trading partner in goods. Our trade deficit with China in 2015 was \$365.7 billion; \$22.6 billion more than in 2014. China is pushing to be reclassified as a market economy and has overseen the wholesale theft of American intellectual property through state-sponsored cyber-enabled economic espionage, including from several Pennsylvania companies.

Please discuss your views on the issue, and describe what the administration plans to do to protect American producers from these unfair trade practices?

*Answer.* As Treasury Secretary, I will work with the President to examine the U.S. trade relationship with China and assess the damage to the American economy from China's practice of intervening in currency markets to manipulate the yuan-dollar exchange rate, as well as other unfair tactics that violate free trade principles. Furthermore, intellectual property theft is one of the most serious international trade violations. Ending IP theft will be a central focus of the administration's trade policy.

*Question.* Mr. Mnuchin, will you take immediate action to address global steel overcapacity? If so, please detail the steps you will take.

*Answer.* I will work with the President to redress the economic ramifications of global steel overcapacity and seek potential remedies.

*Question.* Mr. Mnuchin, will you take immediate action to address Chinese dumping of aluminum? If so, please detail the steps you will take.

*Answer.* As Treasury Secretary, I will pursue all actions within the law to address Chinese dumping of aluminum. I will also work closely with the Secretary of Commerce to ensure that the trade laws of the United States are fully enforced.

*Question.* Mr. Mnuchin, when you acquired IndyMac, were you aware that 86 percent of their suspicious activity reports—which help identify, among other things, possible terrorist financing links—were incomplete? And if not, when did you become aware?

*Answer.* I do not specifically recall the percentage of IndyMac SARs that were incomplete at the time of OneWest's acquisition. However, under my leadership, OneWest maintained a robust BSA/AML compliance program overseen by an executive-level BSA Committee, and that compliance program was periodically reviewed by both the OCC and the Federal Reserve.

*Question.* Mr. Mnuchin, were you consulted by General Flynn prior to his making 5 phone calls to the Russian embassy?

If not, do you think it is reasonable, as the Treasury Secretary nominee, to expect to be consulted on such a matter? And, do you expect the administration to similarly cut you out of future discussions concerning sanctions? Who will be responsible for those decisions, if not the Secretary of the Treasury?



Answer. No. If confirmed, I would expect to participate on the NSC as previous Secretaries have.

*Question.* The Office of Foreign Assets Control or OFAC is responsible for administering and enforcing economic and trade sanctions—imposing controls on transactions and freezing assets under U.S. jurisdiction. If a U.S.-based company set up a foreign subsidiary to get around sanctions on a foreign government, would you consider that a sanctions violation? What actions would you take in response?

Answer. To the extent that a U.S. company established a foreign subsidiary that engaged in business with a sanctioned entity or government, the determination of whether it violated U.S. economic sanctions would depend on the particular sanctions program and relevant prohibitions. In such a circumstance I would rely upon an assessment by OFAC of the particular facts and circumstances as to whether sanctions were being violated and the appropriate enforcement response.

*Question.* Since the President has refused to disclose his taxes, we have no way of knowing where the President has business interests or to whom he owes debts. Do you think it is appropriate for the President to sign an affidavit affirming he has no financial interests in lifting specific sanctions, prior to their being lifted?

Answer. I am confident that the President will put the interests of the American people first, and will consult the White House general counsel as appropriate.

*Question.* How would you evaluate any request from the President to lift sanctions?

Answer. I would evaluate any request from the President based upon the information available at that time.

*Question.* The President told the *Wall Street Journal* on Friday, January 13th that he may lift sanctions on Russia. As the nominee for the agency responsible for enforcing sanctions, were you part of the decision-making process leading to his announcement?

If so, please describe what factors and equities you discussed.

Answer. As I have not yet been confirmed as Secretary of the Treasury, I do not think it would be appropriate for him to consult with me at this time.

*Question.* I am concerned about statements from Mr. Tillerson that suggest the President's administration may take a dim view of the utility of financial sanctions as a tool in our national security toolkit. Will you commit to fully enforcing sanctions laws on the books now and any future sanctions Congress may enact? Would you support the expansion of sanctions against Russia for its support of the Assad regime in Syria and its activities in Ukraine?

Answer. If confirmed, I will continue to support and enforce to the fullest extent all existing economic sanctions programs as well as any legislated by Congress in the future. To the extent that the President and his national security advisors determine that it is in the best interest of the United States to impose additional sanctions in a given circumstance for a particular sanctions program, I will also provide the President my advice and fully enforce such sanctions in support of the President's national security strategy.

*Question.* Iran has been on the so-called FATF blacklist for its support of terrorism and its failure to stop terrorist financiers operating in its jurisdiction. Last year, FATF issued a decision to suspend countermeasures against Iran for a period of 12 months while keeping it on the blacklist. If confirmed, will you commit to working with FATF to ensure that Iran is held accountable for its support for terrorism and to assess whether the Iranian regime has taken sufficient action to correct deficiencies and bring its financial sector into compliance with international standards?

Answer. If confirmed, I commit to working with FATF to ensure that Iran is held accountable for its support of terrorism and to assess whether Iran has implemented sufficient steps to bring its financial system in compliance with international standards.

*Question.* Hezbollah remains one of the world's deadliest and best-funded terrorist organizations. They are responsible for many American deaths and have advanced weaponry that could threaten our allies in the Middle East, especially Israel. If confirmed, will you commit to ensuring all sanctions on Hezbollah are enforced? Will you ensure that entities and individuals that provide support to Hezbollah are subject to Treasury sanctions?

Answer. If confirmed, I commit to ensuring all sanctions against Hezbollah are enforced, and that any entities and individuals determined to be supporting Hezbollah are subject to appropriate sanctions.

*Question.* Considering Hezbollah's intensifying international criminal activities, does the administration have any plans to designate Hezbollah as a transnational criminal organization?

Answer. I will consult with the Secretary of State and the National Security Council on whether or not to designate Hezbollah as a transnational criminal organization pursuant to appropriate Treasury authorities.

*Question.* If the President asked you to halt the Treasury Department's participation in the investigation into communications between members of the President's campaign team and Russia, would you comply? As you were a member of the President's campaign team, will you recuse yourself from the investigation?

Answer. If confirmed, I will seek the advice of the General Counsel and Ethics Staff at the Department of the Treasury.

*Question.* Mr. Mnuchin, (1) when did you become aware that IndyMac failed to provide the legally required loan counseling to reverse mortgage recipients? And (2) what remedial action did you take to correct this failure of the bank you took over to make sure consumers weren't harmed?

Answer. Although I am aware that loan counseling was required for reverse mortgage participants, I am not aware of the specifics as it relates to the remedial action that was taken. I am confident that any issues were properly addressed by the bank's compliance staff.

*Question.* Mr. Mnuchin, are you aware of HUD's Inspector General's investigation of OneWest's reverse mortgage practices?

Will you cooperate with this investigation?

Answer. Yes, if needed.

*Question.* If confirmed as Secretary, will you recuse yourself of any action that could hinder this investigation?

Answer. Yes.

*Question.* Have you spoken to Dr. Carson about this investigation?

Answer. No.

*Question.* To your knowledge, have any donors to the President spoken to Dr. Carson about this investigation?

Answer. No.

*Question.* Mr. Mnuchin, one of the most significant scandals during the financial crisis was the practice of "robo-signing" whereby bank employees rapidly approved foreclosure documents without thorough review. Many were wrongfully foreclosed upon on account of these practices. Did OneWest "robo-sign" documents relating to foreclosures and evictions?

Answer. OneWest Bank did not "robo-sign" documents, and as the only bank to successfully complete the Independent Foreclosure Review required by Federal banking regulators to investigate allegations of "robo-signing," I am proud of our institution's extremely low error rate.

*Question.* Mr. Mnuchin, did OneWest engage in the practice of "dual tracking"—negotiating with a homeowner while pursuing foreclosure?

Answer. "Dual tracking" was a practice that historically occurred in the mortgage industry as standard mortgage servicing policies followed the requirements set by Fannie Mae and Freddie Mac. Shortly after OneWest Bank's inception, the GSEs and other standard-setters recognized that dual-tracking should be restricted, and OneWest supported and followed these restrictions.

*Question.* Mr. Mnuchin, was it a common requirement of a reverse mortgage agreement that an individual live in their home?

Did OneWest move to foreclose on individuals who they believed were not living in their home?

If OneWest served an individual with reverse mortgage foreclosure papers on account of OneWest's belief that the individual was not residing in their home, but

the papers were served to the individual at their home, did that automatically end the foreclosure proceeding?

*Answer.* HUD regulations governing the Federal Home Equity Conversion Mortgage (“HECM”) mortgages require that borrowers live in the mortgaged property as their primary residence, and require foreclosure when the borrower(s) have moved out of the property. Consistent with these Federal regulations, OneWest’s Financial Freedom division did initiate foreclosures when it determined the borrowers no longer lived in the property. I am not personally aware of information relating to the last part of this question.

*Question.* Mr. Mnuchin, was it a policy at OneWest to use foreclosure as a first option, rather than a last resort following attempts at loan modifications for underwater borrowers?

*Answer.* No. Indeed, as one of the first servicers (and, proportionate to the size of our mortgage business, one of the largest servicers) to provide principal forgiveness, we were more successful than most institutions at addressing the problem of underwater borrowers. We addressed this not only through loan modifications, but also through our support of the Federal HARP refinance program, under which we originated more than \$100 million of refinance mortgages to “underwater” borrowers with low or no equity in their homes.

*Question.* As I understand, backdating a foreclosure related document would be employed so a company can move forward with a foreclosure more quickly than the law would allow. Is backdating foreclosure documents a violation of the law?

*Answer.* OneWest Bank did not engage in “backdating.” At the time OneWest Bank opened its doors on March 19, 2009, it assumed control of tens of thousands of foreclosures that had been initiated during the FDIC’s conservatorship of IndyMac Federal Bank. The FDIC provided OneWest with powers of attorney to continue those pending foreclosure actions, which allowed OneWest to step into those actions effective as of the date they were initiated. Calling this “backdating” is misleading, and disregards the fact that OneWest acted in these cases at the direction of and with full knowledge of the FDIC.

*Question.* Did OneWest ever backdate foreclosure documents?

*Answer.* See previous response.

*Question.* Mr. Mnuchin, in addition to your providing the total number of foreclosures executed by OneWest Bank, please provide the following sub-data: the foreclosure rate on mortgages owned by OneWest; the foreclosure rate on mortgages serviced by OneWest; the modification rate of mortgages owned by OneWest; and the modification rate of mortgages serviced by OneWest.

*Answer.* Because I am no longer employed by or affiliated with CIT Group, I do not have access to this information. However, I note that responsive information is available from publicly available sources, including: <https://www.treasury.gov/initiatives/financial-stability/reports/Documents/June%20%202013%20MHA%20Report%20final.pdf>.

*Question.* Mr. Mnuchin, please describe how much job growth nationally you aim to achieve by 2020? Please also describe what kind of job growth you aim to achieve in rural communities, counties like Fayette, Wyoming, and Huntingdon in Pennsylvania?

*Answer.* We do not have any specific estimates at this point in time. I can assure you that President Trump and I are committed to work with you and others to see that no community is left behind.

*Question.* Mr. Mnuchin, please describe how much wage growth you aim to achieve by 2020. Please also describe what kind of wage growth you aim to achieve in rural communities, counties like Greene, Forest, and Northumberland in Pennsylvania?

*Answer.* We do not have any specific estimates at this point in time. I can assure you that President Trump and I are committed to work with you and others to see that no community is left behind.

*Question.* Mr. Mnuchin, please describe the average GDP growth you hope to see over the next 4 years?

*Answer.* We hope to see sustained economic growth in excess of 3 percent.

*Question.* Mr. Mnuchin, how will you ensure economic growth is shared across all income levels?

What are your benchmarks for success?

*Answer.* One key component will be to keep the government out of the business of picking winners and losers. Effective tax reform, reduced regulation and eliminating the trade deficit will help us achieve this objective.

*Question.* As Treasury Secretary, you will serve as managing trustee of the Social Security and Medicare Trust Funds. Will you oppose privatizing Social Security?

*Answer.* President Trump supports delivering on Social Security's promise to current and future generations. If confirmed, I will work with Congress to ensure that we maintain and improve upon the current system.

*Question.* Will you oppose turning Medicare into a voucher or premium support program?

*Answer.* I will work with the administration on this issue.

*Question.* As a public official you are barred from using public office for your own private gain or for the primary gain of friends and family. Do you agree with that prohibition?

*Answer.* Yes. I agree with that prohibition.

*Question.* As Treasury Secretary, you will be responsible for approving or denying changes to the promised pension payments for hardworking Americans and will sit on the board of the Pension Benefit Guaranty Corporation. In that capacity, will you take into account whether a company sold off valuable assets prior to engaging in the MPRA process?

*Answer.* In engaging in the review process under the Multiemployer Pension Reform Act, if confirmed, and in my role with respect to that process, I will take into account all relevant information, and I would seek advice as to whether that would include particular actions of a company.

*Question.* Will you be retaining your millions in holdings in ESL investments?

*Answer.* Pursuant to the review of my holdings by ethics officials, I am permitted to retain my interest in ESL.

*Question.* To your knowledge, does the ESL fund you are invested in own shares of Seritage Growth Properties?

*Answer.* I do not know whether ESL currently owns shares of Seritage Growth Properties.

*Question.* Do you own shares in Seritage?

*Answer.* Accounts for the benefit of me and my children hold shares in Seritage. In accordance with my ethics agreement, these shares will be divested.

*Question.* As a member of the Sears board, you approved the sale of some of the only remaining assets held by the company, including property and iconic brands. Do you stand by that decision?

*Answer.* Yes. The Sears board approved the sale of certain assets based upon its business judgment at the time of the decision. Sears continues to operate over 1,400 stores and has approximately \$10 billion of assets. The characterization of "some of the only remaining assets" suggests that the assets sold were a large majority of the total assets at the time of sale, which isn't accurate.

*Question.* Do you believe the sale of those assets, including the sale of Sears commercial property to a REIT was in the best interest of the over 200,000 hardworking Sears pension beneficiaries?

*Answer.* Sears has been in the middle of a significant transformation designed to address the dramatic change that has occurred in the purchasing behaviors of the American consumer. As a company that has long been one of the largest employers in the United States, it is distinguished from many of its retail competitors by both its long history and its large pension plan. Many of Sears' competitors either have no pension plans or relatively small plans, because these companies did not exist until well after the end of World War II, after which pensions became a more significant form of compensation for many years, until they began to be replaced by defined contribution plans.

In 2005, when Sears Holdings Corporation was formed as a result of the merger of Sears and Kmart, the Sears and Kmart pension plans collectively had well over 300,000 beneficiaries and the plans both were underfunded. Sears Holdings inherited the pension plan of Sears in the merger and the Kmart pension plan was assumed by shareholders upon the emergence of Kmart from bankruptcy in 2003. Sears Holdings has met all of its funding obligations required by law and currently has approximately 185,000 beneficiaries in its pension plan.

Sears consulted and ultimately entered into a protection agreement with the PBGC, which provided additional protection to the pension plan.

*Question.* Do you agree that the lack of affordable child care is a drain on the labor market?

*Answer.* President Trump made affordable child care a signature issue in his campaign, and it remains a priority for the new administration. The ability to afford child care is a concern for many working families, and I look forward to working with the Congress on a comprehensive plan to make easier the choice to remain in the labor market or directly care for one's children.

*Question.* Can you explain why you believe a tax deduction of the cost of child and dependent care is superior to a tax credit?

*Answer.* President Trump's commitment to helping Americans with children find more affordable, quality child care will be a top priority of the new administration. If confirmed, I will work with all stakeholders to help make this goal a reality wherever it falls under the aegis Treasury.

*Question.* Do you think the President should disclose how much he stands to benefit from the repeal of the net investment income tax prior to signing the repeal of the Affordable Care Act into law?

*Answer.* No. President Trump did not run for office to grow his own wealth. He has repeatedly stated that he wants all Americans to reap the financial benefits of a growing economy without the shackles of excessive government regulation.

*Question.* How much do you personally stand to benefit from the repeal of the net investment income tax?

*Answer.* The Net Investment Income Tax imposed by section 1411 of the Internal Revenue Code applies at a rate of 3.8% to certain net investment income of individuals, estates, and trusts that have income above the statutory threshold amounts. I do not know how much income I will have that could be subject to that tax in the future, and any impact would be consistent with other changes to the tax code.

*Question.* The President has financial assets that are extremely broad in scope and complexity. Do you agree with ethics experts that the President should put his assets in a blind trust to avoid potential conflicts of interests?

*Answer.* I have not been party to discussions with the relevant experts and as such cannot have an opinion on the matter. However, I know that the President has gone to great lengths to separate himself from his business interests by putting his assets in a trust.

*Question.* Will you publicly disclose how you and your immediate family, including your children, will personally benefit from changes to the tax code and changes to tax regulations?

*Answer.* If confirmed, I will provide full disclosure of all information required by applicable rules and regulations.

*Question.* Can you expand on what you meant when you said the wealthy would not receive an absolute tax cut? What income level do you define as wealthy? Will this be on earned income—as in wages—or all income, including investment income?

*Answer.* I am committed to working with Congress to craft the best possible tax reform plan to serve all Americans.

*Question.* Mr. Mnuchin, since your nomination as Treasury Secretary, you have made several market-moving public statements. Will you provide assurances that should you provide clarification to such statements, you will do so publicly and in a manner that prevents individuals from engaging in market manipulation?

*Answer.* If confirmed, I will fully adhere to all established practices for statements made by the Secretary, including those that involve public information that could affect values or markets.

*Question.* The Secretary of the Treasury has the significant responsibility to ensure the U.S. Government pays its bills in full and one time. I believe a man, and in this case, a government, is only as good as its word. It is a word our government has never broken. Will you vow you will continue to pay all our bills in full and on time, as has every Treasury Secretary since our first—Alexander Hamilton?

*Answer.* If confirmed, I will strive to run an efficient and effective department that will adhere to and abide by the appropriations enacted by the Congress.

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QUESTIONS SUBMITTED BY HON. MARK R. WARNER

FISCAL CONCERNS

*Question.* In an interview with CNBC, you said that the revenue loss from cutting corporate taxes will be offset by revenues from stronger economic growth and higher personal incomes.

Is it your view that tax reform will be revenue-neutral when the dynamic effects on the economy are included?

*Answer.* Dynamic scoring is an important tool for analyzing the impact of tax policy on jobs and economic growth. The use of dynamic scoring is vital to designing pro-growth tax reform.

*Question.* Would you rely on the Joint Committee on Taxation's dynamic scoring model?

*Answer.* The Joint Committee on Taxation's dynamic scoring model shall be used for legislative purposes.

*Question.* Would it be revenue-neutral both in the 10-year budget window and outside the budget window?

*Answer.* The exact results will be dependent on ongoing discussions with the House and Senate on tax reform.

*Question.* You've talked about the positive economic effects of cutting taxes. Do you believe there is a negative economic effect from increasing debt?

*Answer.* The level and composition of Federal spending and taxation are important considerations. Ultimately, it is about pursuing policies that maximize shared economic growth.

CONGRESSIONAL BUDGET OFFICE AND JOINT COMMITTEE ON TAXATION

*Question.* Currently, the Congressional Budget Office provides independent and strictly nonpartisan analysis of the budget and economic issues before Congress, and the Joint Committee on Taxation provides nonpartisan revenue estimates of our tax legislation.

Given that members of Congress across the political spectrum—Democrats and Republicans alike—have been frustrated with the results of their analysis, I'm confident in their ability to provide independent, nonpartisan estimates.

Will you commit to using CBO and JCT estimates to evaluate tax plans?

*Answer.* The JCT estimates will be used for legislative purposes.

*Question.* Will you commit to allowing CBO and JCT to use their independent assumptions about economic growth, without influence from the administration?

*Answer.* Yes.

*Question.* And will you oppose any efforts by Congress to direct CBO and JCT as to what assumptions they should or should not adopt in their analysis?

*Answer.* I do not have a position on this matter.

NEW CAPITALISM

*Question.* There are many ways that globalization and automation have disrupted and displaced millions of American workers, especially those with low and moderate job skills. I believe this has created the economic anxiety we've seen reflected in our Nation's politics, on the left and the right. I also have been shocked by recent trends among many in corporate America to prioritize the short-term sugar high of in-

creased dividends and share buybacks over longer-term investments in their people or communities or R&D.

Leaders in your own field like Warren Buffett and Larry Ellison at Blackrock have drawn attention to this preoccupation with short-term profits for temporary shareholders versus longer-term investment, and the way it has undermined overall public confidence and trust in modern America capitalism.

Do you agree that companies value short-term profits and shareholders over longer-term investment?

Answer. Different companies value different approaches, but overall I believe that more focus should be on long-term investment.

*Question.* Do you support modifications in the current incentive structure to reward longer-term stock holds?

Answer. Preferences in the tax code already exist for holding longer-term assets.

*Question.* Do you think we have a role to play in encouraging public corporations, their CEOs and boards, to focus on a longer-term horizon?

Answer. The tax code already incentivizes this behavior, however we should always look to additional ideas and policies.

*Question.* Do you support innovations in the tax code to do more to help workers retrain and move up to new and better jobs?

Answer. Yes, if confirmed, I would welcome the opportunity to work with you on ways to help workers retrain for better careers.

*Question.* Do you believe that we should be developing more effective and portable unemployment and health insurance?

Answer. It is important that workers receive unemployment and insurance benefits when they qualify. If confirmed, I would look forward to the opportunity to work with you on these issues.

#### IT MODERNIZATION

*Question.* Our country's cyber-defenses are extremely vulnerable.

Currently, over 75% of our \$88 billion Federal IT budget is spent on operations and maintenance, while less than a quarter is spent on development, modernization, and enhancement.

Instead of replacing legacy systems with modern, secure IT, we're just patching outdated systems over and over again. Legacy systems can be drags on productivity and innovation, and also pose cybersecurity risks.

If you are confirmed, you'll be in charge of a department that is responsible for vast quantities of extremely sensitive information.

How would you ensure that agencies in your department, such as the IRS, are employing the best and most up-to-date IT?

Answer. If confirmed, I will use my technology expertise to work with the Congress to ensure that all systems within Treasury are sufficiently upgraded to protect the private data of U.S. taxpayers, as well as other sensitive information that falls under the aegis of Treasury.

#### SUPPORTING THE MISSION OF THE IRS/FEDERAL WORKERS

*Question.* Our Federal civilian workforce plays a crucial role in our economy, but unprecedented budget and staffing cuts at the Internal Revenue Service make it difficult for employees to complete the important audit and enforcement tasks that generate our Federal revenue.

Even more, we know that there are enforcement programs at the Internal Revenue Service that pay for themselves.

Do you agree that broad-based cuts in the IRS budget will hamper our ability to collect revenue?

Answer. As Treasury Secretary, I will seek to adequately staff and modernize the IRS. I do not have access to all the information, but it is likely that further cuts to the IRS will indeed hamper our ability to collect revenue.

*Question.* Will you agree to devote appropriate resources to the IRS to allow it to fulfill its mission to serve America's taxpayers and enforce our tax laws?

*Answer.* Yes, I believe in adequately staffing and modernizing the IRS to fulfill its mission and enforce our tax laws.

#### INFRASTRUCTURE

*Question.* Infrastructure financing tools can work when there is a dedicated revenue stream to repay a loan, like a toll road. However, many experts suggest that financing is not going to fix everything and there are much-needed infrastructure projects that simply may not have a viable repayment stream.

Do you agree that we need to bring more real spending in order to boost investment and stabilize the Highway Trust Fund?

*Answer.* Different types of infrastructure have different options for payment or repayment, and many need to be evaluated on a case by case basis. I look forward to working with you on the best course for funding such projects.

*Question.* In her confirmation hearing last week, Transportation Secretary Designate Elaine Chao committed to exploring every tool to ensure long-term solvency of the Highway Trust Fund and did not rule out raising revenues. Since 2008, Congress has authorized the transfer of \$143 billion from the General Fund to the Trust Fund. When the current highway bill lapses in 2020, the Highway Trust Fund will again be broke. CBO projects that 5 years after that, it will be facing a cumulative deficit of more than \$100 billion.

Will you commit to exploring ways to boost real funding—direct government spending—on infrastructure and work in good faith to identify potential revenue sources to bring long-term solvency to the Highway Trust Fund?

*Answer.* A significant element of President Trump's campaign was a promise to focus on new options for enhanced infrastructure spending, including direct spending. As Treasury Secretary, I will help the administration consider all options for increasing investments in infrastructure and ensuring the long-term solvency of the Highway Trust Fund.

#### DATA ACT

*Question.* Under the DATA Act of 2014, the Fiscal Service has created a data format that connects all of agencies' spending information—financial account balances, grant spending, contract spending—into a single electronic picture. Currently the data format focuses on money going out, not money coming in. This means that although the picture will break spending down by appropriation, by account, by program, etc., it will not break down non-appropriated funds—fines, fees, and settlement collections, for instance.

Can Treasury expand the data format to also capture how agencies receive funding, to provide a complete picture for citizens and Congress?

*Answer.* If confirmed, I will be fully briefed on data formatting and interagency compatibility, and will work with Congress and the staff at Treasury to ensure that they are implemented.

*Question.* Under the DATA Act of 2014, every Federal agency will begin reporting its spending information using a standardized, government-wide data format, starting this May 9, 2017. At first, this requirement will be duplicative. Agencies will keep reporting the same information the old-fashioned way, using documents and legacy databases like the GTAS and the FPDS, even while they begin reporting the searchable, open data sets under the DATA Act.

Will Treasury phase out the legacy reporting requirements so that agencies only report their spending once, and only as searchable data, instead of as old-fashioned documents and inconsistent databases? Will you support additional appropriations needed to replace and modernize legacy systems?

*Answer.* Yes, I believe we need to update all our legacy systems.

*Question.* In partnership with the Office of Management and Budget, the Department of Treasury leads governance efforts related to implementation of the DATA Act. While OMB and Treasury have made progress in developing high-level data governance concepts and objectives, much work remains to be done to formulate policy and procedures for developing new data standards, and adjudicating conflicts between data standards.



Will Treasury commit to formalizing these additional procedures and policies within the governance structure, such as in ways recommended by the Government Accountability Office?

Answer. If confirmed, I will be fully briefed on recommendations by these agencies, and will work with the staff at Treasury to ensure that best practices and full compliance are achieved.

#### ECONOMIC SANCTIONS

*Question.* Nominee Tillerson, as CEO of ExxonMobil, said that sanctions have to be well-implemented—comprehensively—to have any effect. The Treasury Department has historically been very involved in structuring our most effective sanctions regimes.

Do you see a role for Treasury? If so, what is that role? If not, why not?

Answer. I agree that the Department of the Treasury plays a critical role in implementing and enforcing economic sanctions to ensure their effect. This role involves advising the President and his other national security advisors on what authorities are available, how these tools can be most effectively used, and then implementing them through the Office of Foreign Assets Control. After sanctions regimes are promulgated, strong enforcement efforts are necessary to ensure that both domestic and foreign entities understand that the United States will also make every effort to secure compliance with the various sanctions prohibitions. If confirmed, I will consult with the Secretary of State and the National Security Council and utilize all sanctions tools delegated to me by the President—either through Executive order or legislation—to vigilantly enforce sanctions to ensure their effectiveness in achieving our national security strategy.

*Question.* President-elect Trump and cabinet nominees have said that they will carefully review the JCPOA, including its “side letters,” to determine whether Iran is complying with the agreement.

Will you commit to not adjust or recommend that the President adjust the waiver of any nuclear-related sanctions until the review is complete and the administration has consulted Congress on its findings and intentions?

Answer. The President has stated his intent to enforce the Joint Comprehensive Plan of Action. I agree that all aspects and requirements of the JCPOA need to be carefully reviewed and considered in order to ensure that Iran is meeting all of its commitments under the agreement.

*Question.* Will you apply sanctions waived under the JCPOA on Iran for non-nuclear activities? If so, how will you notify Congress? How will you notify other countries involved in the deal (the UK, France, Germany, etc.)?

Answer. The President has stated his intent to enforce the Joint Comprehensive Plan of Action. As Treasury Secretary, and in consultation with the Secretary of State, I will act to fully enforce all existing sanctions against Iran—including with respect to its sponsorship of terrorism and other illicit activities.

*Question.* I believe that the U.S. sanctions worked to get Iran to the negotiating table because other countries complied with our secondary sanctions. That sanctions regime put enough pressure on the Iranian economy that we had leverage to negotiate. Other nominees for the cabinet have said that sanctions don’t work, and have done business through subsidiaries in Europe to circumvent U.S. sanctions.

If it becomes necessary to reapply international sanctions, how would you work with other members of the cabinet to build an effective sanctions regime? How will you work with international partners to apply their own sanctions and/or to comply with ours?

Answer. The President has stated his intent to enforce the Joint Comprehensive Plan of Action (“JCPOA”). As Treasury Secretary, and in consultation with the Secretary of State, I will act to fully enforce all existing sanctions against Iran—including with respect to its sponsorship of terrorism and other illicit activities. To the extent the President’s national security advisors have information indicating that Iran is not complying with the terms of the JCPOA, I will advise the President on the options available to him for re-imposing waived sanctions to promote strict compliance by Iran with the JCPOA. If such re-imposition were necessary, I will support the President’s decision and coordinate with the Secretary of State to explain to our international partners the justification for such re-imposition, and to encourage them to support the United States’ decision in that regard.

*Question.* President-elect Trump has indicated that he would be willing to use sanctions relief as an incentive to get Russia to reduce its nuclear stockpiles. Sanctions against Russia, including on its energy sector, are having a measurable impact on Russia's economy. And they were not levied because of Russia's nuclear stockpiles. They were a result of Russia's illegal annexation of Crimea and its military incursion into Ukraine. I would expect those sanctions to remain in place until Russia removes itself from Crimea and Ukraine.

Will you commit to consulting Congress before you remove any sanctions from Russia?

*Answer.* If confirmed, I will continue to support and enforce the existing sanctions against Russia to the fullest extent, as I stated during my confirmation hearing. To the extent that the President and his national security advisors determine that it is in the best interests of the United States to modify the sanctions or impose others, I will fully enforce those sanctions in support of the President's national security strategy.

*Question.* What additional sanctions will you consider applying to Russia for its continued nefarious behavior?

*Answer.* If confirmed, I will regularly consult and collaborate with the Secretary of State and the National Security Council, and to the extent additional Russia-related sanctions become necessary to execute the President's national security strategy, I will advise the President and his other national security advisors on what authorities are available and how these tools can be most effectively used to counter the particular Russian activities.

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RESUBMISSION OF QUESTIONS FOR THE RECORD FROM DEMOCRATIC MEMBERS TO  
STEVEN TERNER MNUCHIN

Members found the responses to the initial questions for the record to be far short of expected and appropriate level of responsiveness. The document contained errors and in some cases answers to questions not asked. Also, the document repeatedly made cursory and almost meaningless answers. We would hope the nominee could provide satisfactory answers prior to the markup.

Below are questions members would like the nominee to reconsider.

QUESTIONS RESUBMITTED BY HON. DEBBIE STABENOW

*Question.* Another difficult issue you will play a leadership role in if you are confirmed as Treasury Secretary is pensions. This is an incredibly important issue to my State, particularly because we have about 47,000 workers and retirees who have been paying into the Central States Pension Fund, which is in serious trouble.

What is your position on the Multiemployer Pension Reform Act, which Treasury is responsible for administering?

How do you propose to shore up our multiemployer pension system?

*Answer.* You have my commitment to work with you to find solutions to the multi-employer pension crisis.

*Amended Answer.* If confirmed, I will consult with you and other interested parties on the Multiemployer Pension Reform Act of 2014.

*Question.* Our tax code clearly provides too many loopholes that allow companies and wealthy individuals to avoid paying their fair share through tax planning.

What do you think is the best strategy for preventing tax reform from creating new loopholes that companies and individuals will abuse?

How would the incoming administration's tax plan close loopholes?

*Answer.* As part of our overall plan for tax reform, we will consider this issue, and I look forward to consulting with Congress on the matter if confirmed.

*Amended Answer.* The President has been clear that he will aggressively pursue loophole closure to broaden the tax base. I will make that policy direction a priority for the talented and experienced tax professionals who staff the Treasury Department.

*Question.* I firmly believe that we cannot have a robust economy if we do not grow things here and make things here.

How would the incoming administration's tax plan specifically help the manufacturing and agriculture sectors?

Answer. I entirely agree with your belief that we must improve the prospects of domestic manufacturing if we are to have a robust and dynamically growing economy. I look forward to working with Congress to examine and include tax provisions that will allow us to reach our common objective of growing the economy.

Amended Answer. The President and the Senator generally agree on creating or enhancing incentives for domestic manufacturing. If confirmed, I will make this policy a priority for the talented and experienced Treasury tax staff.

*Question.* How would you contrast that with how the House Republicans' tax plan would affect the manufacturing and agriculture sectors specifically?

Amended Answer. Since the administration's tax plan has yet to be finalized, it is hard to contrast it with the House Republican plan, but we will work with House Republicans to make sure any tax plan is pro-growth and pro-jobs for manufacturing and agriculture. I would also look forward to comparing it to the administration's tax plan when it is available, and working with the congressional leadership to make sure both are as pro-growth and pro-jobs as possible.

*Question.* From your perspective, how would eliminating the deductibility of business interest expenses impact these sectors?

Amended Answer. Eliminating deductibility of interest could have an impact on these sectors, and we will study it carefully as part of overall tax reform.

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QUESTIONS RESUBMITTED BY HON. MARIA CANTWELL

*Question.* At your hearing, you stated that you support the Volcker rule and "believe the concept of proprietary trading does not belong in banks with FDIC insurance." The risks to our economy posed by proprietary trading and banks making risky bets on behalf of customers cannot be mitigated by merely separating proprietary trading from FDIC-insured institutions. As we saw during the financial crisis, when non-banking affiliates of FDIC insured banks failed, they were rescued by their insured affiliates, which in turn were forced to be rescued by taxpayers. This was the case with State Street Bank, and your former employer, Goldman Sachs, which converted to a bank holding company in order to be eligible for Federal bailout funds.

Do you believe that a legal distinction between two entities, one insured and the other not, would keep the risky activities from one from impacting another in a crisis? Would a bright-line between these activities not better mitigate these risks?

Answer. I am supportive of the Volcker Rule to mitigate the impact that proprietary risk-taking may have on a bank that benefits from Federal deposit insurance. However, as I indicated, we need to provide a proper definition of proprietary trading, such that we do not limit liquidity in needed markets, as indicated by the recent Federal report.

Amended Answer. I do believe that a legal distinction between the insured and non-insured entity is an important factor in eliminating risky activities within the institution that has FDIC insured deposits. I do not believe that the uninsured entity should be able to perform proprietary trading.

*The nominee did not answer the question, which referred to the risks posed by proprietary trading at banks that **are not** federally insured. Does the nominee think that proprietary trading by non-FDIC insured institutions poses risks to the financial system? Does the nominee believe that non-FDIC insured institutions, which may have FDIC insured affiliates, should be able perform proprietary trading?*

*Question.* What additional actions will you take as Treasury Secretary to ensure market/financial stability? What other regulations would help market stability? Do you believe that additional regulations to ensure market stability and prevent financial crisis are in the interest of "public safety?"

Answer. I do not believe at this time that additional regulations are needed to ensure market stability, however I expect that we will review this issue at FSOC on an ongoing basis.

Amended Answer. If there are financial regulations that are needed to protect "public safety," I will advocate that these new regulations are not part of the freeze.

*The nominee did not answer the second part of the question. President Trump has called for a freeze on all new regulations except those to protect “public safety.” The committee deserves to know if the nominee believes that regulations to protect our financial system can be in the interests of “public safety,” and if not, why?*

*Question.* Do you believe your former employer, Goldman Sachs, acted responsibly and ethically when it bet against the same securities it was selling to its customers?

*Answer.* As I mentioned in my testimony, I left Goldman Sachs nearly fifteen years ago and prior to the financial crisis and the period of time in question. I am not in a position to comment on these actions.

*Amended Answer.* For many years, administrations of both parties have relied on appointees with considerable, relevant, private-sector experience. My previous experience in the private sector will inform my work as Treasury Secretary, and I would expect to assemble a highly qualified team with a diverse set of experiences. If confirmed, I will commit to use the Department’s authorities in accordance with the law and administration policies.

*It is vital that the nominee comment on whether or not his former employer acted ethically during the financial crisis. This will inform the committee as to the enforcement and regulatory priorities the nominee will focus on. With at least six former Goldman Sachs employees set to take high level economic positions in the administration, the nominee’s views of their performance is critical.*

*Question.* We have had a long tradition in this country that banking activities should be separated from physical commerce. Recently, the Federal Reserve issued a report required under section 620 of the Dodd-Frank Act, recommending that Congress take action to prohibit banks from engaging in merchant banking activities and owning certain physical commodities. Would you support restoration of separation between banking activities and commerce to support competition and reduce risks?

*Answer.* If confirmed, I would further study section 620 to address the issues of your concern.

*Amended Answer.* I support minimizing risks to our financial system, especially in banks with FDIC insured deposits. If I am confirmed, I look forward to working with Congress to achieve that objective. We will examine the recommendations that fall within the Treasury Department’s jurisdiction and seek to advance them as appropriate, and to work with Congress and other agencies to craft appropriate legislative language where necessary.

*The nominee did not answer the question. Section 620 of the Dodd-Frank Act authorized a report from the Federal Reserve. The nominee was asked to comment on the conclusions of the report, not the section of the law the report was commissioned pursuant to.*

*Question.* You have stated that there will be “no absolute tax cut for the upper class” through tax reform. Will you support a tax cut for the upper class outside of tax reform, such as the potential repeal of the Affordable Care Act’s additional Medicare Hospital Insurance tax of 0.9% on earnings over \$250,000 a year and the Medicare surtax of 3.8% on unearned income above \$250,000 a year?

*Answer.* As you are probably aware, the President has proposed eliminating the Medicare surtax. If confirmed, I will work with Congress to reach an appropriate resolution to this issue.

*Amended Answer.* If confirmed, I look forward to reviewing possible tax cuts with the talented professionals in Treasury’s Office of Tax Policy. I would also look forward to working with Congress to review the administration’s proposed distribution of tax cuts when it becomes available.

*The nominee did not answer the question.*

*Question.* Do you believe that climate change is real and that human activity is the primary driver of it?

*Answer.* I believe that climate change is a complex issue, but not one primarily driven by the Treasury Department.

*Amended Answer.* I agree with Governor Perry’s comment that “the climate is changing. I believe some of it is naturally occurring, but some of it is also caused by man-made activity.”

*The nominee did not answer the question.*

*Question.* Did any of your marketing materials for your Anguilla or Cayman Island funds express or advertise the tax benefits of their offshore location?

*Answer.* The offering document for Dune Capital International contained normal tax consideration disclosures as well as ERISA and other regulatory considerations.

*Question.* Please provide to the Finance Committee any and all marketing materials and letters.

*Answer.* As indicated in the preceding response, the confidential offering memorandum describes the tax consequences of the investment but does not express or advertise “tax benefits” from the investment. The description of tax consequences in the confidential offering documents is typical for such investments, including a description of U.S. and Anguilla tax rules.

*The nominee did not provide the requested documentation.*

*Amended Answer.* I will provide a redacted copy of the confidential offering memorandum as requested.

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## CONFIDENTIAL PRIVATE OFFERING MEMORANDUM

### DUNE CAPITAL INTERNATIONAL LTD.

(A Cayman Islands exempted company)

#### *Ordinary Shares*

April 2007

## VII. TAX CONSIDERATIONS

### CIRCULAR 230 NOTICE REQUIREMENT

**The discussion contained in this document is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding tax penalties that may be imposed on such person. The discussion is written to support the promotion or marketing of investments in the Fund. Any person considering an investment in the Fund should seek advice based on the person’s particular circumstances from an independent tax advisor.**

The following is a general discussion of certain of the anticipated income tax considerations relevant to non-U.S. persons (as defined in the next paragraph) and U.S. tax-exempt entities arising from the purchase, ownership and disposition of Shares. Prospective investors should consult their own tax advisors to determine the application and effect of tax laws with respect to their own particular circumstances. This discussion is based on laws and regulations currently in effect, which may change or be subject to differing interpretations (possibly on a retroactive basis).

For these purposes, the term “non-U.S. person” means any person that is not a U.S. person for U.S. Federal income tax purposes. A U.S. person means a citizen or resident of the United States, a partnership or corporation created or organized in the United States or under the laws of the United States or any State (other than a partnership that is not treated as a U.S. person under any applicable Treasury Regulations), an estate whose income is includable in gross income for U.S. Federal income tax purposes regardless of its source or a trust if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. In addition, to the extent provided in Treasury Regulations, certain trusts in existence on August 20, 1996 and treated as U.S. persons prior to such date, which elect to continue to be treated as U.S. persons, also will be U.S. persons for these purposes.

Special taxation rules may apply in the case of non-U.S. persons (i) that conduct a trade or business in the United States or that have an office or fixed place of business in the United States, (ii) that have a “tax home” in the United States, (iii) that are former citizens or long-term residents of the United States or (iv) that are “controlled foreign corporations” or “passive foreign investment companies” for U.S. Federal income tax purposes, non-U.S. insurance companies that hold Shares in connec-

tion with their U.S. business, or corporations that accumulate earnings to avoid U.S. Federal income tax. Such persons are urged to consult their own U.S. tax advisors before investing in the Fund.

In view of the number of different jurisdictions where local laws may apply to shareholders, the discussion below does not address the local tax consequences to potential investors of the purchase, ownership and disposition of Shares. Prospective investors are urged to consult their own tax advisors in determining the possible tax, exchange control or other consequences to them under the laws of the jurisdictions of which they are citizens, residents or domiciliaries and in which they conduct business.

### **United States**

#### *Income Taxation of the Fund and the Master Fund*

Each of the Fund and the Master Fund will be treated as a corporation for U.S. Federal income tax purposes. Because the Fund and the Master Fund are organized under the laws of the Cayman Islands and Anguilla respectively, they will be considered non-U.S. corporations for purposes of the U.S. tax laws. As such, the U.S. Federal income tax treatment of the Fund will vary depending upon whether the Fund derives income or gains that are effectively connected with the conduct of a trade or business in the U.S. Unless the context requires otherwise, references to the term "Fund" in this discussion are deemed to include the Master Fund.

*Non-Effectively Connected Income.* Gains derived by the Fund that are *not* effectively connected with a U.S. trade or business will be exempt from U.S. Federal income taxation. Dividends received by the Fund from U.S. sources will be subject to U.S. withholding tax at a 30% rate. U.S. source interest income received by the Fund generally will be exempt from U.S. Federal income and withholding tax under the exemption for "portfolio interest" or under another statutory exemption. Interest on corporate obligations derived by the Fund will qualify as "portfolio interest" if the Fund owns (directly and under certain constructive ownership rules) less than 10% and of the total combined voting power of the corporation paying the interest, and, with respect to certain obligations issued after April 7, 1993, to the extent the interest is not determined by reference to certain economic attributes of the debtor (or a person related thereto). Interest derived by the Fund on U.S. bank deposits, certificates of deposit and certain obligations with maturities of 183 days or less (from original issuance) also will be exempt from withholding tax. Interest (including original issue discount) derived by the Fund from U.S. sources not qualifying as "portfolio interest" and not otherwise exempt under U.S. law will be subject to U.S. withholding tax at a 30% rate.

*Effectively Connected Income.* It is possible that the Fund may engage in certain activities, such as loan origination, which, if regularly carried on by the Fund during a taxable year, could cause the Fund to be considered to be engaged in a trade or business in the United States. Furthermore, the Fund may be required to foreclose on debt securities secured by real estate or other U.S. trade or business assets. The ownership of U.S. real estate or other U.S. trade or business assets by the Fund would result in the Fund being engaged in a U.S. trade or business. In those circumstances, the Fund's income from such assets, which includes under "FIRPTA" gain from the disposition of an interest in U.S. real property, would be treated as income that is "effectively connected" with such U.S. trade or business and will be subject to U.S. Federal corporate income taxation (currently imposed at a maximum rate of 35%) on a net basis. In addition, it is possible that the Fund could be subject to taxation on a net basis by State or local jurisdictions within the United States. The Fund also would be subject to a 30% U.S. Federal "branch profits" tax on certain of its after-tax effectively connected earnings and profits not reinvested in a U.S. trade or business during the year. Any such taxation could adversely affect the Fund's ability to make payments in respect of the Shares.

In circumstances where the Investment Manager deems it appropriate, direct purchases of debt securities secured by real estate or other business assets that are subject to foreclosures, and of certain other investments, may be made by the Fund through one or more U.S. corporate subsidiaries of the Fund (or other investment vehicle as appropriate). Each such U.S. Subsidiary would be subject to U.S. Federal corporate income tax on its net taxable income at regular Federal rates, and dividend distributions from the U.S. Subsidiary to the Fund would be subject to a 30 percent U.S. withholding tax, but cash distributions by the U.S. Subsidiary upon its complete liquidation will not be subject to taxation or to U.S. withholding tax.

The Investment Manager will attempt to structure the Fund's investments in a manner to reduce the incidence of U.S. Federal (and State and local) income tax on income and gains from such investments. In light of the nature of the Fund's investment program, it nonetheless should be anticipated that certain investments will generate income subject to U.S. taxation on either a net or gross basis.

#### *Taxation of Non-U.S. Shareholders*

For U.S. Federal income tax purposes, a shareholder who is a non-U.S. person will not be subject to U.S. Federal income taxation on amounts paid by the Fund in respect of the Shares or gains recognized on the sale, exchange or redemption of Shares, provided that such income and gains are not considered to be effectively connected with the conduct by the shareholder of a U.S. trade or business. In limited circumstances, an individual shareholder who is present in the United States for 183 days or more during a taxable year may be subject to U.S. income tax at a flat rate of 30 percent on gains realized on a disposition of Shares in such year. Individual shareholders who at the time of their death are not citizens, former citizens or residents of the United States should not be subject, by reason of the ownership of Shares, to any U.S. Federal gift or estate taxes.

In the case of Shares held in the United States by a custodian or nominee for a non-U.S. person, U.S. "backup" withholding taxes may apply to distributions in respect of Shares held by such shareholder unless such shareholder properly certifies as to its non-U.S. status or otherwise establishes an exemption from "backup" withholding.

#### *Taxation of U.S. Tax-exempt Entities*

"Unrelated business taxable income" ("UBTI") is generally the excess of gross income from any unrelated trade or business conducted by a tax-exempt entity over the deductions attributable to such trade or business, with certain modifications. UBTI generally does not include interest, dividends, or gains from the sale of securities not held as either inventory or primarily for sale to customers in the ordinary course of business, except to the extent that any such item of income is deemed to constitute "unrelated debt-financed income" within the meaning of section 514 of the U.S. Internal Revenue Code of 1986 (the "Code") and the Treasury Regulations promulgated thereunder, and certain other requirements are met.

Income and gain that a U.S. tax-exempt entity derives from an investment in Shares generally should not give rise to UBTI, except to the extent that such entity acquires the Shares with acquisition indebtedness.

The Fund will constitute a "passive foreign investment company" (a "PFIC") for U.S. Federal income tax purposes. Under Treasury Regulations, a tax-exempt entity is not considered to be a shareholder in a PFIC, except to the extent that a "dividend" paid by such PFIC would be taxable as unrelated debt-financed income. Hence, a tax-exempt entity would be subject to tax under the PFIC regime in respect of its investment in Shares only in limited circumstances.

The application of the PFIC rules to certain types of tax-exempt entities, such as charitable remainder trusts with beneficiaries who are U.S. persons, is unclear. Accordingly, potential tax-exempt investors are urged to consult their own tax advisors regarding the tax consequences of an investment in the Fund.

#### *Transfer Reporting Requirements*

A U.S. person (including in certain circumstances a U.S. tax-exempt entity) that transfers property (including cash) to the Fund in exchange for Shares will be required to file a Form 926 or a similar form with the Internal Revenue Service. In the event a U.S. shareholder fails to file any required form, such holder could be subject to a penalty of up to 10% of the value of the property transferred, subject to a \$100,000 limit so long as the failure was not due to intentional disregard.

#### *U.S. Investor Tax Filings and Record Retention*

The U.S. Treasury Department has adopted regulations designed to assist the Internal Revenue Service in identifying abusive tax shelter transactions. In general, the regulations require U.S. taxpayers who are investors in specified transactions (including certain shareholders in foreign corporations and partners in partnerships that engage in such transactions) to satisfy certain special tax filing and record retention requirements. Current legislation imposes significant monetary penalties (in addition to existing penalties that generally may be applicable as a result of a failure to comply with applicable Treasury regulations) for failure to comply with these tax filing and record retention rules.

The regulations are broad in scope and it is conceivable that the Fund may enter into transactions that will subject the Fund and certain shareholders to the special tax filing and record retention rules. The Investment Manager intends to provide information necessary to enable shareholders to satisfy any tax filing and record retention requirements that may arise as a result of any transactions entered into by the Fund.

#### **Cayman Islands**

The Fund has been incorporated in the Cayman Islands as an exempted company with limited liability and, as such, has received an undertaking from the Governor-in-Cabinet of the Cayman Islands pursuant to section 6 of the Tax Concessions Law (1999 Revision) to the effect that, for a period of twenty years, no tax to be levied on profits, income, gains or appreciations shall apply to the Fund or its operations and no tax in the nature of estate duty or inheritance tax shall be payable in respect of the Shares. Accordingly, it is not envisaged that the Fund will be subject to any taxation in the Cayman Islands other than incidental registry fees, annual registration fees and stamp duties on certain instruments entered into by them.

There currently are no withholding taxes or exchange control regulations in the Cayman Islands applicable to the Fund or its shareholders.

There currently are no estate duty, gifts or gains taxes in the Cayman Islands which would be applicable to the Shares or any income or gains derived therefrom or transfers or redemptions effected in respect thereof.

#### **Anguilla**

The Master Fund has been formed pursuant to the Anguilla Limited Liability Companies Act (Revised Statutes of Anguilla 2000, Chapter L65 (the "LLC Act")).

There are no income taxes, corporation taxes, taxes on dividends or distributions, inheritance taxes, estate duty, gifts or capital gains taxes or withholding taxes of any kind in Anguilla.

There is also a blanket exemption from the imposition of future taxes specifically provided for under sections 77 and 78 of the LLC Act.

Under section 77 of the LLC Act, a limited liability company which does not undertake business within Anguilla, other than so far as may be necessary for the carrying on of the business of that limited partnership exterior to Anguilla, shall not be subject to any income tax, withholding tax or other taxes based upon or measured by assets or income originating outside of Anguilla or in connection with other activities outside of Anguilla.

Section 78 of the LLC Act provides a dividends and distributions exemption from taxes. Section 78 expressly provides that any dividend or distribution by a limited liability company which does no business in Anguilla to a corporation, or to individuals or entities which are not citizens or residents of Anguilla shall be exempt from tax or withholding provisions of Anguillan law which might otherwise be applicable to such limited liability company or the recipient of the dividend or distribution.

Accordingly, it is not envisaged that the Master Fund will be subject to any taxation in Anguilla other than incidental registry fees, annual registration fees and the possibility of paying stamp duty on certain instruments entered into by it.

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#### QUESTIONS RESUBMITTED BY HON. BENJAMIN L. CARDIN

*Question.* As we discussed in your confirmation hearing, when you were nominated last November, you stated that "[a]ny reductions we have in upper-income taxes will be offset by less deductions so that there will be no absolute tax cut for the upper class."

As far as I can tell from available estimates by the Tax Policy Center of President Trump's tax plan, the top 0.1 percent (in terms of cash income percentile) would receive an average tax cut of over \$1 million. Those in the top 1 percent would receive an average tax cut of over \$200,000. Tax Foundation modeling also shows that the top 1 percent would have an increased after-tax income, using static scoring, of at least 10.2%.

What deductions would you repeal or amend to counteract this tax cut to upper-income households?



Amended Answer. We will consider eliminating certain deductions other than mortgage or charitable contributions.

*Question.* Could you please share the calculations your team has undertaken to make sure that the tax cut for the upper class will be fully offset by your changes?

If you disagree with the Tax Policy Center and Tax Foundation estimates on the tax cuts upper-income householders receive, could you please share the calculations your team has undertaken to show how their taxable income would change?

If you don't have specific calculations, could you please explain why you believe your plan does not contain an absolute tax cut for the upper class?

Answer. President Trump's objective is to pass tax reform that grows the economy and benefits all Americans. If confirmed, I will work with President Trump and Congress to ensure that middle-class families are not further burdened by higher taxes.

*Our office would like a more responsive and detailed answer to this series of questions. The multi-part questions are not answered. The general answer at the end of the question is about middle-class families. However, the question is about upper-class tax cuts, the administration's views on the analyses of the Tax Policy Center and Tax Foundation, and the reasoning behind Mr. Mnuchin's statement regarding upper-class tax cuts. It is not about middle-class families.*

Amended Answer. If confirmed, I look forward to reviewing possible tax cuts with the talented professionals in Treasury's Office of Tax Policy. I would also look forward to working with Congress to review the administration's proposed distribution of tax cuts when it becomes available.

*Question.* In your hearing, you discussed the importance of economic growth in offsetting the revenues lost under the President's tax reform plan. In previous statements, you've also implied that through this economic growth, higher revenues from individuals would finance business tax cuts. For instance, you've said, "[s]o we think that by cutting corporate taxes, we'll create huge economic growth and we'll have huge personal income, so the revenues will be offset on the other side."

Is it your view that the tax cuts in the President's plan will be fully offset by economic growth?

Answer. Our objective is to have any tax cuts offset by economic growth.

*Question.* If so, could you please share your team's analysis supporting that position?

Answer. Our objective is to have any tax cuts offset by economic growth.

Amended Answer. If I am confirmed, I will be fully transparent in providing information from the Treasury's Office of Tax Policy.

*Question.* Will you commit, as we discussed in our meeting, not to put forward a plan that will increase the deficit and put our country in a worse financial position?

Answer. Our objective is to have any tax cuts offset by economic growth.

*Our office would like responsive answers to the second and third questions. An expansive reading of the third answer could characterize that answer as responsive, but it would be helpful for the answer to more explicitly answer the question if that is the intent, e.g., "The objective of our tax plan is to fully offset any revenue-losing changes to the tax code by encouraging economic growth, thereby avoiding any increase in the deficit." It would also be helpful to have clarity as to whether the objective is that the tax cuts be fully offset by economic growth, or only partially offset. We understand why Mr. Mnuchin is, perhaps, uncomfortable saying "will be offset," since "will" is pretty definite here on an issue that is subject to a lot of variables. But having clarity on the objective at least is important.*

Amended Answer. Our objective is to have any tax cuts offset by economic growth. If confirmed, I look forward to reviewing possible tax cuts with the talented professionals in Treasury's Office of Tax Policy. I would also look forward to working with Congress to review the administration's proposed distribution of tax cuts when it becomes available.

## QUESTIONS RESUBMITTED BY HON. ROBERT MENEDEZ

*Question.* Shortly after then President-elect Trump announced your nomination, you told CNBC that you would focus on rolling back parts of the Dodd-Frank Wall Street Reform Act. Specifically, you said, “the number-one problem with Dodd-Frank is that it’s way too complicated and cuts back lending.”

What specific provisions would you advise the President and Republicans in Congress to change, repeal, or unwind?

*Answer.* I would advise the President and members of Congress on rules that undermine economic growth and job creation. A particular focus should be placed on reducing the regulatory costs faced by community financial institutions, and making sure that small and medium sized business have access to credit.

*Amended Answer.* I will, if confirmed, work with the administration and interested members of Congress to analyze and identify regulatory provisions that may have disproportionately adverse effects on financial activities, including community financial institution formation and lending. I will also listen to community experiences and evidence provided by Americans on effects of provisions of financial regulations—including those stemming from the Dodd-Frank Act—that they identify as possible factors that inhibit community lending. Continued monitoring of possible unintended consequences of existing laws and regulations and of consequences in which costs to communities outweigh benefits are an essential ingredient of the regulatory process.

*Question.* During your confirmation hearing, you said, “regulation is killing community banks.” According to data released by the FDIC on November 29, 2016, community banks reported net income rose \$593 million, or 11.8 percent from the 2015 period. The FDIC also reported that community banks’ net operating revenue totaled \$23 billion, an increase of 8.5 percent from a year earlier. Chair Gruenberg said, “community banks, which account for 43% of the industry’s small loans to businesses, continued to grow their small business loans at a faster pace than the rest of the industry.”

What specific regulations do you believe are particularly detrimental to the community banking industry, and what changes would you recommend?

*Answer.* I look forward to working with banking regulators and Congress to determine what particular regulations could be reformed to better serve customers and create a flow of credit while preserving key capital adequacy and safety and soundness standards.

*Amended Answer.* Other studies, including from staff of the Federal Reserve Bank of Richmond in 2015 and the Federal Reserve Board in 2014, have identified a decline in the number of commercial banks and new charters. If confirmed, I would evaluate the extent to which regulations are contributing to these declines and look for ways to reverse these trends.

*Question.* You have advocated changing the way the cost of tax legislation is calculated or “scored” for the purposes of analyzing its impact on the budget. But as you know, different so-called “dynamic scoring” models produce a wide range of results depending on what assumptions are made. The Joint Committee on Taxation (JCT) is a non-partisan, highly respected institution that provides members of Congress and the general public with objective analysis regarding the “cost” of tax legislation.

Do you commit to respecting their independence and pledge to refrain from exerting any pressure on JCT and their chosen model of scoring?

*Answer.* The Joint Committee on Taxation has been an important participant in and contributor to the tax reform process. I will work with all congressional committees, including JTC, the Committee on Ways and Means, the Committee on Finance, and the leadership of the House and Senate, to develop tax legislation.

*Amended Answer.* If confirmed, I will respect the independence of the Joint Committee on Taxation and refrain from exerting pressure on them and their chosen model of scoring.

*Question.* Do you commit to accepting JCT’s model as the final say for scoring purposes?

*Answer.* I will work with all congressional committees, including JTC, the Committee on Ways and Means, the Committee on Finance, and the leadership of the House and Senate, to develop tax legislation.

Amended Answer. If confirmed, I will accept JCT's model as the final say on scoring for legislative purposes. I would also commit to working with JCT openly and transparently, consistent with the longstanding relationship between the branches.

*Question.* Mr. Mnuchin, I'm disappointed that you wouldn't support new sanctions on Russia for, among other things, interfering in our election. Moreover, Mr. Trump said that he would potentially lift sanctions against Russia quickly, unilaterally, and without input from Congress. For those of us who have both authored much of the laws putting the architecture for comprehensive and effective sanctions in place, and those of us who believe that the legislative branch must be an effective check on the Executive, this is alarming. Sanctions that carry the full weight of law are a critical component of our national security strategy.

Would you support efforts of the President to ignore the will of Congress and unilaterally lift sanctions currently in place on Russian individuals and actors?

Answer. If confirmed, I will continue to support and enforce the existing sanctions against Russia to the fullest extent, as I stated during my confirmation hearing. To the extent that the President and his national security advisors determine that it is in the best interest of the United States to modify the sanctions or impose others, I will fully enforce those sanctions in support of the President's national security strategy.

Amended Answer. If confirmed, I would advise the President to consider all relevant and necessary information before taking action on sanctions.

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QUESTIONS RESUBMITTED BY HON. THOMAS R. CARPER

*Question.* President Trump has proposed several tax reform plans, all of which would drastically cut taxes on wealthy individuals. Studies of President Trump's revised tax reform plan found that the largest benefits, both in dollar amounts and in percentage terms, would accrue to the highest-income households. According to an analysis by the Tax Policy Center, the Trump tax reform plan by itself would also raise taxes on middle-class families with children, in large part because it would repeal the personal exemption for children and force single parents with children to file as singles and so forfeit the more generous standard deduction they currently receive. The Trump proposal does this while simultaneously delivering massive tax cuts to the highest-income taxpayers and businesses. TPC's analysis also notes that the incoming President's proposed child care deduction and tax credit fails to compensate families for these other lost tax benefits.

At the same time, Mr. Mnuchin, you have stated that "any reductions we have in upper-income taxes will be offset by less deductions so that there will be no absolute tax cut for the upper class." Can you explain precisely what you mean—regarding both the definition and your proposed policy framework—by "absolute" tax cut?

Answer. If confirmed, I look forward to working on measures that lower the tax burden on the middle-class and working families.

Amended Answer. Our objective is to have any tax cuts offset by economic growth. If confirmed, I look forward to reviewing possible tax cuts with the talented professionals in Treasury's Office of Tax Policy. I would also look forward to working with Congress to review the administration's proposed distribution of tax cuts when it becomes available.

*Question.* As noted above, you have repeatedly mentioned that a middle-class tax cut is the centerpiece of your tax reform. Will these middle-class tax cuts make up for the premium tax credits that will be lost to ACA repeal?

Answer. If confirmed, I will work with the Secretary of Health and Human Services to determine the economic impact of any changes to ACA.

Amended Answer. Our objective is to have any tax cuts offset by economic growth. If confirmed, I look forward to reviewing possible tax cuts with the talented professionals in Treasury's Office of Tax Policy. I would also look forward to working with Congress to review the administration's proposed distribution of tax cuts when it becomes available.

*Question.* President Trump's plan indicated that itemized deductions for high-income individuals would be limited somehow. Could you please state three specific tax deductions or tax breaks that you plan to eliminate, which would help achieve the stated goal of avoiding "absolute tax cuts for the upper class"?

Answer. If confirmed I will work with the tax-writing committees, Congress, and the staff at Treasury to advise the President on the best course of action for the American taxpayer.

Amended Answer. Our objective is to have any tax cuts offset by economic growth. If confirmed, I look forward to reviewing possible tax cuts with the talented professionals in Treasury's Office of Tax Policy. I would also look forward to working with Congress to review the administration's proposed distribution of tax cuts when it becomes available.

*Question.* Last year, President Trump offered a range of comments regarding the national debt. After first suggesting that as President he would "renegotiate" the national debt, he then later variously suggested that Treasury bonds might be alternately "discounted" or subject to a "buy back" or even "refinanced" with longer terms. As Treasury Secretary, you may be the official who is tasked by President Trump with somehow restructuring U.S. debt. Do you believe that renegotiating or otherwise restructuring U.S. debt would be perceived as a default?

Answer. I am confident that the President supports the full faith and credit of the debt of the United States, as do I.

Amended Answer. If confirmed, I would work with the staff on a variety of debt management issues. At the same time, I would not make any recommendation to the President that would lead to default or that could be perceived as leading to default.

*Question.* In September and October of last year, President Trump stated, "It's time to establish a national goal of reaching 4-percent economic growth" per year, and at other times suggested that "I actually think we can go higher than 4 percent. I think you can go to 5 percent or 6 percent." Can you briefly outline for us the administration's detailed proposals that can be shown empirically to achieve such high rates of growth?

Answer. We have abundant examples from American history about what works and does not work. To achieve high rates of real, sustainable economic growth, tax and regulatory reform must be pro-growth in design and execution.

Amended Answer. Empirically, there is evidence that growth is enhanced by many factors, including physical capital and technical progress. I look forward to working with Congress to arrive at policies that enhance growth by providing incentives for capital formation, innovation and technical progress in America, and improvements in the terms of trade.

I believe a change in policy, consisting of lower corporate and personal income taxes, regulatory reform, and increased infrastructure spending will help the U.S. surpass the current historically low rate of GDP growth. The Obama recovery has delivered an annualized growth rate of 2.1 percent. I believe higher growth can be achieved. Over the comparable period of the Reagan recovery, for example, real GDP grew at an annualized rate of roughly 4.5 percent.

*Question.* As noted above, the incoming administration has stated a goal of achieving 3- to 4-percent economic growth per year. As you know, population growth is a major component in GDP, and so slowing population growth therefore presents a significant constraint on achieving higher growth rates. One solution to this problem is providing sufficient legal channels for immigrants to come or stay and work in this country through immigration reform.

As you may know, the nonpartisan Congressional Budget Office projected that the comprehensive immigration reform bill that passed the Senate in 2013 would increase GDP by 3.3 percent in ten years, and by 5.4 percent in twenty years. Yet, despite the economic growth potential represented by an increase in immigration levels, some in the incoming administration have demonstrated antipathy toward immigration and immigrants from a broad range of nationalities and backgrounds.

Would you agree that boosting immigration levels could help achieve a higher economic growth rate?

Answer. The President has repeatedly stated his support for legal immigration.

Amended Answer. There are many inputs to the economic growth rate—including levels of technology, population growth, government policy, trade balances, and many others. Immigration is just one factor that ultimately contributes to the level of economic growth.

*Question.* The incoming administration has promised to repeal the Affordable Care Act, which provides a tax credit to small businesses for providing health insurance to their workers. Do you agree that eliminating this tax credit would increase taxes for small businesses who are trying to do the right thing by helping their workers secure health insurance?

*Answer.* The President has made affordable, accessible health care a priority in his administration, and I look forward to working with Congress and the President to achieve this goal.

*Amended Answer.* Our objective is to have any tax cuts offset by economic growth. If confirmed, I look forward to reviewing possible tax cuts with the talented professionals in Treasury's Office of Tax Policy. I would also look forward to working with Congress to review the administration's proposed distribution of tax cuts when it becomes available.

*Question.* In an interview shortly after your selection as the President's nominee for Treasury Secretary, you said that you looked forward to working with House Financial Services Chairman Jeb Hensarling on Dodd-Frank issues. Chairman Hensarling has been quoted as saying that he believes Dodd-Frank has been a failure. Do you believe that Dodd-Frank has failed to make the financial system safer?

*Answer.* If confirmed, I look forward to working with Chairman Hensarling and other members of the House and Senate to develop legislative solutions that improve U.S. financial system stability.

*Amended Answer.* The Dodd-Frank Act has changed regulation of many aspects of the financial system, created a liquidation authority for large financial companies, and changed some of the ways in which regulators monitor financial system activities. Oversight and activities in some financial activities likely improved following enactment and subsequent implementation of Dodd-Frank, while some risks and uncertainties may have increased as a result of enactment and implementation. Ultimately, the overall "systemic" implications of the Dodd-Frank Act would be best looked at using empirical assessments, though such an exercise is challenging. I look forward to continuing to monitor empirical assessments of the effect of Dodd-Frank on financial activities, and I will work with Congress, market participants, and regulators to ensure the safety and soundness of the financial system.

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QUESTION RESUBMITTED BY HON. MICHAEL F. BENNET

*Question.* Both the Child and Earned Income Tax Credits have lifted millions of families and children out of poverty. Families with the youngest children, however, often receive smaller amounts through the Child Tax Credit. I recently introduced a bill to make the child credit more refundable and larger for families with young children. Would the incoming administration consider these types of improvements to the Child Tax Credit as part of tax reform?

*Answer.* Thank you for your work on this important issue. Improving access to and the affordability of childcare is a priority for the new administration. President Trump proposed several options in this area during the campaign, and we look forward to working with you and the rest of Congress to advance meaningful reforms.

*Amended Answer.* First, I believe that we need to consider these issues in the context of overall tax reform. If confirmed, I am committed to working with you to find the best way possible to restructure the existing Child Tax Credit, including looking at the size of the credit and the extent to which the credit is refundable. You raised the issue of the age of a family's children. I think we need to look at how the Child Tax Credit can be structured to help families with younger children, particularly in relation to the President's desire to help families pay for child-care costs.

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QUESTIONS RESUBMITTED BY HON. MARK R. WARNER

NEW CAPITALISM

*Question.* There are many ways that globalization and automation have disrupted and displaced millions of American workers, especially those with low and moderate job skills. I believe this has created the economic anxiety we've seen reflected in our nation's politics, on the left and the right. I also have been shocked by recent trends among many in corporate America to prioritize the short-term sugar high of in-

creased dividends and share buybacks over longer-term investments in their people or communities or R&D.

Leaders in your own field like Warren Buffett and Larry Ellison at Blackrock have drawn attention to this preoccupation with short-term profits for temporary shareholders versus longer-term investment, and the way it has undermined overall public confidence and trust in modern America capitalism.

Do you agree that companies value short-term profits and shareholders over longer-term investment?

Answer. Different companies value different approaches, but overall I believe that more focus should be on long-term investment.

*Question.* Do you support modifications in the current incentive structure to reward longer-term stock holds?

Answer. Preferences in the tax code already exist for holding longer-term assets.

Amended Answer. I support the current tax system that rewards long-term capital gains.

*Question.* Do you think we have a role to play in encouraging public corporations, their CEOs and boards, to focus on a longer-term horizon?

Answer. The tax code already incentivizes this behavior, however we should always look to additional ideas and policies.

Amended Answer. If confirmed, I would support policies that would encourage public corporations' CEOs and boards to focus on long-term profits and growth. However, I believe these decisions belong with the boards of directors.

*Question.* Do you support innovations in the tax code to do more to help workers retrain and move up to new and better jobs?

Answer. Yes, if confirmed, I would welcome the opportunity to work with you on ways to help workers retrain for better careers.

Amended Answer. Yes, I support innovations in the tax code that would help workers retrain and move up to new and better jobs.

*Question.* Do you believe that we should be developing more effective and portable unemployment and health insurance?

Answer. It is important that workers receive unemployment and insurance benefits when they qualify. If confirmed, I would look forward to the opportunity to work with you on these issues.

*Senator Warner would like to know what tax incentives and preferences already exist in the tax code to promote long-term investment and encourage companies to focus on a longer-term horizon.*

Amended Answer. Yes, I believe that we should look at solutions that will be more effective for portable unemployment and health insurance.

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QUESTIONS RESUBMITTED BY HON. ROBERT P. CASEY, JR.

*Question.* Mr. Mnuchin, in addition to your providing the total number of foreclosures executed by OneWest bank, please provide the following sub-data:

- a. The foreclosure rate on mortgages owned by OneWest;
- b. The foreclosure rate on mortgages serviced by OneWest;
- c. The modification rate of mortgages owned by OneWest; and
- d. The modification rate of mortgages serviced by OneWest.

Answer. Because I am no longer employed by or affiliated with CIT Group, I do not have access to this information. However, I note that responsive information is available from publicly available sources.

*You did not provide a response to the question. Further, you provided assurances when we met that you would provide national foreclosure data and assurances to my staff you would provide a copy of the letter referenced in your testimony to the Committee. Please do so.*

Amended Answer. I have requested the additional information as well as the referenced letter.

*Question.* The President told *The Wall Street Journal* on Friday, January 13th that he may lift sanctions on Russia. As the nominee for the agency responsible for enforcing sanctions, were you part of the decision-making process leading to his announcement?

If so, please describe what factors and equities you discussed.

Answer. As I have not yet been confirmed as Secretary of the Treasury, I do not think it would be appropriate for him to consult with me at this time.

*You did not provide a response to the question.*

Amended Answer. No, I was not part of the decision-making process, as I have not yet been confirmed as Secretary of the Treasury.

*Question.* Mr. Mnuchin, one of the most significant scandals during the financial crisis was the practice of “robo-signing” whereby bank employees rapidly approved foreclosure documents without thorough review. Many were wrongfully foreclosed upon on account of these practices. Did OneWest “robo-sign” documents relating to foreclosures and evictions?

Answer. OneWest Bank did not “robo-sign” documents, and as the only bank to successfully complete the Independent Foreclosure Review required by Federal banking regulators to investigate allegations of “robo-signing,” I am proud of our institution’s extremely low error rate.

*You stated in your response that “OneWest did not robo-sign” documents. However, a 2011 Reuters investigation found that at least five servicers in recent months “have filed foreclosure documents of questionable validity: OneWest Bank, Bank of America, HSBC Bank USA, Wells Fargo, and GMAC Mortgage.” Regulatory reviews found critical weaknesses in governance, documentation, and oversight that “resulted in unsafe and unsound practices and violations of applicable federal and state law and requirements.”*

*Additionally, you stated you were proud of your “institution’s extremely low error rate.” However, that error rate is relative to the other banks under review for engaging in “unfair and unsound practices.” There were 6,500 banks that did not have to go through any review at all. OneWest had a 6% error rate for mortgages to members of the military protected by the Service Member Civil Relief Act. These and other errors affected more than 5.6 percent of all borrowers, 10,700 homeowners. Do you believe an error rate of 6% is an appropriate level when someone’s home is in the balance? Please amend your response to reflect answers to the original and these additional questions.*

Amended Answer. The concept of “robo-signing” generally referred to two distinct but related issues: (a) a signer of a foreclosure affidavit attested to facts that were not verified to be accurate; or (b) a signer of a foreclosure affidavit represented himself or herself to be someone else (for example, if the signer was employed by a company that did not have standing to foreclose but represented himself or herself as someone with standing to foreclose). Page 14 of the OCC’s April 2014 report on the Independent Foreclosure Review (“IFR”) demonstrates that OneWest did not do these things.

On the review category “services did not have standing to foreclose,” OneWest’s error rate was 0 percent.

On the review category that investigated the possibility that foreclosure occurred without proper facts supporting the foreclosure (“Borrower not in default”), OneWest’s error rate was .001 percent.

In fact, for 12 of the 14 categories independently reviewed as part of the IFR, OneWest’s error rate was less than 0.5 percent.

It is true that small numbers of borrowers were found to have been affected by errors, including in the categories you mentioned, and OneWest fully remediated those borrowers in the manner prescribed by Federal regulators.

*Question.* Mr. Mnuchin, did OneWest engage in the practice of “dual tracking”—negotiating with a homeowner while pursuing foreclosure?

Answer. “Dual tracking” was a practice that historically occurred in the mortgage industry as standard mortgage servicing policies followed the requirements set by Fannie Mae and Freddie Mac. Shortly after OneWest Bank’s inception, the GSEs and other standard-setters recognized that dual-tracking should be restricted, and OneWest supported and followed these restrictions.

*You provided a response, but not a response to the question. Further, in your response you stated OneWest “supported and followed” restrictions on dual tracking. However, in September 2013, “a San Luis Obispo County couple won a seven-figure settlement and title to their two houses from OneWest when a judge determined the bank had engaged in dual tracking.” Would you like to amend your response?*

Amended Answer. To be more specific, at one point dual tracking was a common and accepted procedure based on investor requirements and loan modification program terms and conditions. As such during this period OneWest conformed with that standard and did dual-tracking as a matter of practice. At a later date, State laws and Federal regulatory guidance came out which eliminated dual tracking and the industry, and OneWest, changed its policy. I do not recall the specific circumstances of the settlement that you mention and whether it dealt with dual-tracking or not.

*Question.* If OneWest served an individual with reverse mortgage foreclosure papers on account of OneWest’s belief that the individual was not residing in their home, but the papers were served to the individual at their home, did that automatically end the foreclosure proceeding?

Answer. HUD regulations governing the Federal Home Equity Conversion Mortgage (“HECM”) mortgages require that borrowers live in the mortgaged property as their primary residence, and require foreclosure when the borrower(s) have moved out of the property. Consistent with these Federal regulations, OneWest’s Financial Freedom division did initiate foreclosures when it determined the borrowers no longer lived in the property. I am not personally aware of information relating to part (b) of this question.

*Your response that you are not aware of information relating to the question implies you were not aware of the foreclosure practices at the bank you ran, despite holding weekly meetings concerning disputed foreclosures, as you discussed in the hearing. If you were unaware of the foreclosure practices at your bank, how can you reassure the committee that you will show greater care to such issues as Treasury Secretary?*

Amended Answer. Thank you for the opportunity to clarify my response. I read the original question as being posed in the hypothetical. I do not recall this circumstance ever arising. In addition, the weekly meeting referenced in my testimony focused on matters that had arisen, but that could not be resolved through OneWest’s normal resolution process. I also do not recall the circumstance described in this question as arising in any of those weekly meetings.

*Question.* Mr. Mnuchin, please describe how much job growth nationally you aim to achieve by 2020? Please also describe what kind of job growth you aim to achieve in rural communities, counties like Fayette, Wyoming, and Huntingdon in Pennsylvania?

Answer. We do not have any specific estimates at this point in time. I can assure you that President Trump and I are committed to work with you and others to see that no community is left behind.

*You did not respond to the question. As the President repeatedly stated a goal of 25 million jobs created in the next 10 years, it belies reason that his administration would not have benchmarked goals for achieving such growth in the next 4 years.*

Amended Answer. The President views this initiative over a 10-year period, and thus the benchmarks on which I would be focused would be for that period. If confirmed, I look forward to working with Congress on these issues and advising the President accordingly if Congress believes additional benchmarks are necessary.

*Question.* Will you oppose turning Medicare into a voucher or premium support program?

Answer. I will work with the administration on this issue.

*You did not respond to the question.*

Amended Answer. Medicare has served millions of Americans over many years. Our goal when it comes to Medicare has to be to ensure that the program is fiscally viable and serves the American people for generations to come. If confirmed, I would look for ways to reduce the cost of Medicare while simultaneously improving the way it serves our nation’s seniors.

*Question.* Can you explain why you believe a tax deduction of the cost of child and dependent care is superior to a tax credit?



Answer. President Trump's commitment to helping Americans with children find more affordable, quality child care will be a top priority of the new administration. If confirmed, I will work with all stakeholders to help make this goal a reality wherever it falls under the aegis of Treasury.

*You did not respond to the question. During his campaign, the President proposed a deduction for the cost of child and dependent care. The question asks you to explain why you believe a tax deduction (which the President proposed) is superior to a tax credit.*

Amended Answer. The President wants to help families deal with the cost of child and dependent care. Part of the proposal was to allow a deduction for child care expenses. If confirmed, I would look forward to working with Congress on ways to achieve this goal.

*Question. Can you expand on what you meant when you said the wealthy would not receive an absolute tax cut? What income level do you define as wealthy? Will this be on earned income—as in wages—or all income, including investment income?*

Answer. I am committed to working with Congress to craft the best possible tax reform plan to serve all Americans.

*You did not respond to the question.*

Amended Answer. Our objective is to have any tax cuts offset by economic growth. If confirmed, I look forward to reviewing possible tax cuts with the talented professionals in Treasury's Office of Tax Policy. I would also look forward to working with Congress to review the administration's proposed distribution of tax cuts when it becomes available.

*Question. As a member of the Sears board, you approved the sale of some of the only remaining assets held by the company, including property and iconic brands. Do you stand by that decision?*

Answer. Yes. The Sears board approved the sale of certain assets based upon its business judgment at the time of the decision. Sears continues to operate over 1,400 stores and has approximately \$10 billion of assets. The characterization of "some of the only remaining assets" suggests that the assets sold were a large majority of the total assets at the time of sale, which isn't accurate.

*Please clarify your response to your question. Your assertion that Sears's remaining real estate assets are worth \$10 billion is doubtful. This assumes the REIT sale of Sears Holdings' real estate accounted for around 20% of Sears's owned locations. However, in actuality, the REIT and joint ventures account for approximately 40% of Sears's owned locations.*

*If instead you were referring to Sears's total assets, that sum is inclusive of merchandise inventories, which by its nature is an asset to be sold.*

Amended Answer. Yes, I stand by the board's decision.

*Question. Do you believe the sale of those assets, including the sale of Sears commercial property to a REIT, was in the best interest of the over 200,000 hard-working Sears pension beneficiaries?*

Answer. Sears has been in the middle of a significant transformation designed to address the dramatic change that has occurred in the purchasing behaviors of the American consumer. As a company that has long been one of the largest employers in the United States, it is distinguished from many of its retail competitors by both its long history and its large pension plan. Many of Sears' competitors either have no pension plans or relatively small plans, because these companies did not exist until well after the end of World War II, after which pensions became a more significant form of compensation for many years, until they began to be replaced by defined contribution plans.

In 2005, when Sears Holdings Corporation was formed as a result of the merger of Sears and Kmart, the Sears and Kmart pension plans collectively had well over 300,000 beneficiaries, and the plans both were underfunded. Sears Holdings inherited the pension plan of Sears in the merger and the Kmart pension plan was assumed by shareholders upon the emergence of Kmart from bankruptcy in 2003. Sears Holdings has met all of its funding obligations required by law and currently has approximately 185,000 beneficiaries in its pension plan.

Sears consulted and ultimately entered into a protection agreement with the PBGC, which provided additional protection to the pension plan.

*You provided a response, but not a response to the question that I asked.*

Amended Answer. Yes, I believe that the sale was in the best interest of the Sears' pension beneficiaries and other stakeholders.

*Question.* The Secretary of the Treasury has the significant responsibility to ensure the U.S. Government pays its bills in full and on time. I believe a man, and in this case, a government, is only as good as its word. It is a word our government has never broken. Will you vow you will continue to pay all our bills in full and on time, as has every Treasury Secretary since our first—Alexander Hamilton?

Answer. If confirmed, I will strive to run an efficient and effective department that will adhere to and abide by the appropriations enacted by the Congress.

*You provided a response, but not a response to the question that I asked.*

Amended Answer. Yes, I will vow to continue to pay all our bills in full and on time.

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QUESTIONS RESUBMITTED BY SHERROD BROWN

*Responses to questions for the record were sloppy, evasive, and inadequate.*

*Question.* Mr. Mnuchin, in addition to Senator Heller's request for foreclosure data in Nevada, would you please provide a State-by-State breakdown of the foreclosures initiated by OneWest? Would you also provide a breakdown of the number of permanent HAMP modifications as well as the number of permanent propriety modifications that OneWest completed while you were chairman?

Answer. Because I am no longer employed by or affiliated with CIT Group, I do not have access to this information.

Amended Answer. Senator Heller's request should be included in the record. I received the answer to Senator Heller's request, which is included. I will put in the request for a State-by-State breakdown for you.

*Question.* Mr. Mnuchin, I understand that OneWest sent a letter to the OCC explaining the problems in the HECM book of Financial Freedom when you were seeking approval for a merger with CIT, but you referenced a 2015 letter that you sent to HUD. Would you provide the committee a copy of the letter referenced in your testimony?

Answer. Because I am no longer employed by or affiliated with CIT Group, I do not have access to this information.

Amended Answer. I have requested a copy of the letter from CIT.

*Question.* Mr. Mnuchin, President Trump's nominee for HUD Secretary, Dr. Ben Carson, raised questions about the continuation of the 30-year, fixed-rate mortgage in his confirmation hearing.

Do you believe the widely available 30-year fixed-rate mortgage is an important aspect of our housing market?

Amended Answer. Yes, I believe this is one of many important aspects for our housing market.

*Question.* What would happen to home equity and home values if access to the 30-year fixed rate decreased or if the product became more expensive?

Amended Answer. Home values have appreciated significantly in many areas of the country. Any limitation of 30-year fixed rate financing or fixed costs may have impacts on certain markets.

*Question.* You mentioned that you want to seek a housing finance market solution that doesn't put taxpayers at risk or eliminate capital for the housing market. Given that retained capital at the GSEs will be zero a year from now, can you provide more information about a solution that protects taxpayers, maintains capital, and expands access and affordability for borrowers who can sustain homeownership?

Amended Answer. Any solution will be dependent upon the GSEs being capitalized properly and other such controls that eliminate risk to taxpayers.

*Question.* In 2014 and 2015, many of your business dealings converged. In October 2014, you joined the board of directors of Relativity Media as non-executive co-chairman. Around the same time, Dune Capital Investment (Dune Capital Partners

IV), a fund you managed, invested in Relativity, and your bank, OneWest, loaned hundreds of millions of dollars to Relativity Media. Please answer the following questions.

At the time you joined Relativity's board, how much had OneWest loaned or invested in Relativity, and how much more did it lend or invest between October 2014 and May 2015 when you left the board?

Answer. OneWest did not make any equity investments in Relativity. In response to the committee staff questions dated January 4, 2017, I requested information from OneWest/CIT regarding the banks extensions of credit exceeding the Regulation O disclosure requirements. The information I received was provided to the committee staff on January 12, 2017. In response to the committee staff questions dated January 13, 2017, I requested additional identification of each loan. The information I received from OneWest/CIT was provided to the committee on January 18, 2017.

Amended Answer. As disclosed in the information provided to the committee staff, the bank did not extend additional credit.

Question. OneWest/CIT has had several allegations leveled against it for violating rules or laws administered by HUD or FHA. What processes or protections have you, or will you, and Dr. Carson put in place to ensure that HUD, FHA, and its Inspector General have a fair process for evaluating your former institution's dealings with HUD and FHA, and that HUD, FHA, and the Department of Justice are impartial and not influenced in an improper manner?

Answer. Because I am no longer employed by or affiliated with CIT Group, I do not have access to this information.

Amended Answer. As reflected in my ethics agreement, I will not participate personally and substantially in any particular matter involving specific parties in which I know CIT Group is a party unless authorized to participate by ethics officials. Upon confirmation, I will implement procedures that will screen matters coming before me to facilitate compliance with my recusal obligations.

Question. In the confirmation hearing, you claimed that Relativity Media did not receive Chinese investment. Yet news reports, such as an article in *The Los Angeles Times* ("Relativity Media expands in China with the new deal, partners," June 16, 2014), identified two "new Chinese partners" in Relativity Media as Jiangsu Broadcasting Corp. and Seedshine Capital. The article quoted your friend and Relativity Media chief executive Ryan Kavanaugh about the Chinese partnership: "The partnerships will deepen our relationship with the Chinese media and entertainment industry and provide a world-class platform from which to co-develop Chinese and international film and television content from two leading organizations." Having considered this information, please explain the nature of the business relationship between Relativity, Jiangsu, and Seedshine. Would you still testify before the Finance Committee that Relativity Media had no Chinese investors?

Answer. To the best of my knowledge, these entities were not investors in Relativity Media Holdings, which was the question I was answering.

Amended Answer. Although it was reported in the press that Relativity Media "signed a strategic advisory agreement with Industrial and Commercial Bank of China Limited via which investment firm SeedShine Capital has entered a binding agreement to invest" (Yahoo News, June 16, 2014), to my knowledge, this investment never closed and they were not investors in Relativity Media.

Question. As I mentioned in the confirmation hearing, I am concerned that the U.S. Government has not been tough enough on China, and American workers, particularly in the steel and aluminum industries, have paid the price. What specific tools and authority at Treasury will you use to address this unbalanced trade relationship and increase China's compliance with its international trade obligations? How do you see Treasury policies and actions benefitting laid-off steelworkers in Lorain, OH?

Answer. (Judy Shelton) Treasury has congressional authority to examine the exchange-rate practices of major trading partners to identify nations that engage in currency manipulation. I will work with the Secretary of Commerce to help ensure that the unfair trade laws of the United States are enforced. I will also work with Congress to ensure our trade laws adequately address harm to our industries and workers from unfair trade practices.

*It is difficult to understand the intent of including Judy Shelton's name in the text. Even if we assume that this is simply an oversight on the part of Mr. Mnuchin and*

*his staff, it speaks to the general quality of the work done in preparing these responses.*

Amended Answer. Including the name in the text was an oversight, and I sincerely apologize.

*Question.* Please list three ways we can expand the Earned Income Tax Credit and the Child Tax Credit to promote work.

Answer. I look forward to working with your staff on this issue.

*The Earned Income Tax Credit and the Child Tax Credit are the country's largest antipoverty program outside of Social Security. The credits support tens of millions of working families and are the tax code's most effective work incentive. They are bipartisan and have been supported by the last seven Presidents. Mr. Mnuchin owes the committee more than to profess to have no knowledge of these provisions.*

Amended Answer. I share the President's commitment to make child care more affordable for working parents. The President is also committed to help stay-at-home moms and dads. While this needs to be considered in the context of broader tax reform, there are a number of options Congress and the administration could consider to promote work. There are many ways of doing this and we will work with you on reviewing our options. In addition, I recognize that tax reform may involve consideration of changes to the Earned Income Tax Credit and Child Tax Credit, and I look forward to working with Members of Congress, including you and your office, on these provisions.

*Question.* What are your views on ways to strengthen the American Opportunity Tax Credit?

Answer. If confirmed, I will look forward to discussing with your office your views on the American Opportunity Tax Credit.

*Senator Brown asked Mr. Mnuchin to supply his views on a tax credit that helps make college affordable for millions of students. Mr. Mnuchin's response was to suggest an openness to discussing Senator Brown's views on the subject at some point to be determined in the future. Senator Brown is well-aware of his own views. He is not aware of Mr. Mnuchin's and asked the question to gain some insight.*

Amended Answer. The President and I are committed to help make college more affordable. I'm sure we can agree that the tax code's existing provisions in this area are confusing. We need to look at how we can simplify and harmonize provisions that are designed to help defray the costs of college. As we deal with tax reform, I look forward to working with you to determine the best way to achieve our mutual objective.

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PREPARED STATEMENT OF HON. RON WYDEN,  
A U.S. SENATOR FROM OREGON

Aside from the President, there may be no individual with a tighter grasp on the levers of this country's economy than the Secretary of the Treasury. That's been true since the days of Alexander Hamilton.

When you read about the nominee for Treasury Secretary, given all the power that position holds, you hope not to see phrases like "foreclosure machine," "red-lining," "offshore funds," and "predatory lending."

I'm sure today's hearing will cover a wide range of matters, whether it's Mr. Mnuchin's background and qualifications or the incoming administration's policy agenda. I'll start with a topic that cuts across all those matters: the truly disgusting inequity and abuse of America's tax laws.

The tax code today is a tale of two systems. For wage earners like cops and nurses, there are no special tax dodging strategies or loopholes. The rules that apply to them are firm and involuntary. Once or twice a month, their taxes come straight out of their paychecks, no cutting corners.

The rules are different for the powerful and well-connected. They have armies of lawyers and accountants at their disposal. With the right advice, the most fortunate individuals in this country can decide how much tax to pay and when to pay it.

Let's look at Mr. Mnuchin's history. There's no clearer example than Mr. Mnuchin's hedge fund setting up outposts in Anguilla and the Cayman Islands, an action that can be explained only by the islands' zero-percent tax rate. It certainly wasn't

for ease of commute or the infrastructure. In Mr. Mnuchin's case, millions of dollars in profits from Hollywood exports like the movie "Avatar" were funneled to an off-shore web of entities and investors.

When Mr. Mnuchin's bank was up for a merger that had the potential to deliver a huge financial gain, a foundation he chaired reportedly used tax-exempt dollars to fund an astroturfing campaign pushing for the deal's approval. In the public comment period of a potential merger, this is the equivalent of stuffing the ballot box.

Mr. Mnuchin also operates seven personal trusts, including one known as a "dynasty trust" that will shield tens of millions of dollars from taxes. In my view, if you look back in our history, this Nation was founded to reward merit, not to perpetuate dynasties.

Now, as a nominee for a Cabinet position, Mr. Mnuchin could be in line for a special, elective, Federal tax deferral on money made by selling stocks and bonds. That is the very definition of getting to pay what you want, when you want.

There's a common answer when these kinds of tax tricks come under a spotlight. It's said that the people who use them are just following the laws on the books, and that might be true.

The outrage in tax law is what's legal, and that every member of the Senate has allowed it to stay legal. In my view, this outrage will only change when taxpayers are no longer divided into two very different sets of tax rules.

That provides a segue into important policy questions. Setting aside Mr. Mnuchin's finances and background, the tax reform agenda already being advanced by the incoming administration would perpetuate—and in fact worsen—the unfairness in the tax code on the books today.

On the campaign trail, the President-elect delivered lots of tough talk about fixing the tax system. He said he alone could fix it because he'd spent a career using the system to his advantage. As for the details, the few tax reform position papers the President-elect's team put forward didn't get much attention outside the business pages.

But just after Mr. Mnuchin's nomination was announced, he laid down a clear and specific marker. I'll quote Mr. Mnuchin directly: "Any reductions we have in upper-income taxes would be offset by less deductions, so there would be no absolute tax cut for the upper class. . . ."

I'll repeat that last part, and for the sake of brevity, I'm going to start calling it the Mnuchin Rule: ". . . no absolute tax cut for the upper class. . . ."

Let's take stock of what's already happening on Capitol Hill, even before inauguration day. The first major act of the unified Republican government, repealing the Affordable Care Act, would immediately violate the pledge of no tax cuts for the wealthy. Bottom line, the ACA repeal scheme that kicked off last week is a Trojan horse of tax breaks for the most fortunate. It's paid for by taking tax benefits for health insurance away from millions of working people.

Then it's back for round two later in the year, under an emerging Republican plan to fast-track an even bigger tax break for the wealthy. In my view, this is proof that the campaign promises about fixing the tax system were just an elaborate head fake. For example, the President-elect said he'd close the carried interest loophole, a favorite of investment fund managers, but his plan actually gives them a 25 percent tax cut. In fact, it slashes tax rates for corporations and the wealthy across the board at a cost of trillions of dollars. So it sounds like the Mnuchin Rule is already on the ropes.

What would the new administration's tax plan do for people of more modest incomes? Millions of working Americans, mostly single parents, would get hit with tax increases because they'd lose head of household status when they file.

If you wanted to write a tax plan that would push even more Americans out of the economic winner's circle, this is how you'd do it.

Given how central tax policy is to our jurisdiction, I hope the committee is able to discuss those issues today. But of course the Treasury Secretary and this committee handle a lot more than taxes, so there are other concerns that need to be raised. On a broad level, it's my view that Senators will have to make a judgment call about the sort of individual they believe should lead the Treasury Department.

Mr. Mnuchin's career began in trading the financial products that brought on the housing crash and the Great Recession. After nearly two decades at Goldman Sachs, he left in 2002 and joined a hedge fund. In 2004, he spun off a hedge fund of his own, Dune Capital. It was only a few lackluster years before Dune began to wind down its investments in 2008.

In early 2009, Mr. Mnuchin led a group of investors that purchased a bank called IndyMac, renaming it OneWest. OneWest was truly unique. While Mr. Mnuchin was CEO, the bank proved it could put more vulnerable people on the street faster than just about anybody else around.

While he was CEO, a OneWest vice president admitted in a court proceeding to "robo-signing" upward of 750 foreclosure documents a week. She spent less than 30 seconds on each, and in fact, she had shortened her signature to speed the process along. Investigations found that the bank frequently mishandled documents and skipped over reviewing them. All it took to plunge families into the nightmare of potentially losing their homes was 30 seconds of sloppy paperwork and a few haphazard signatures.

These kinds of tactics were in use between 2009 and 2014, a period during which the bank foreclosed on more than 35,000 homes. "Widow foreclosures" on reverse mortgages—OneWest did more of those than anybody else. The bank defends its record on loan modifications, but it was found guilty of an illegal practice known as "dual tracking." One bank department tells homeowners to stop making payments so they can pursue modification, while another department presses on and hurtles them into foreclosure anyway.

OneWest made only two loans to African American borrowers in 2014 and 2015, according to an analysis of Federal data by the California Reinvestment Coalition. Just a fraction of its branches occupied storefronts in minority communities, and none were in predominantly African-American communities. But minorities still represented a disproportionately large share of the people booted out of their homes.

Under Mr. Mnuchin, OneWest churned out foreclosures like Chinese factories churned out Trump suits and ties. And with the combination of extreme foreclosure tactics and a bailout from the FDIC, OneWest became a rainmaker for Mr. Mnuchin and his fellow investors. At precisely the same time the foreclosure machine was running, OneWest funds were poured into glamorous investments in Hollywood.

In 2012, OneWest struck an agreement to loan hundreds of millions of dollars to a movie studio called Relativity Media. In 2014, while he was the CEO of OneWest's holding company, Mr. Mnuchin bought his own stake in Relativity. He took a seat in the boardroom and was appointed co-chairman. He even bought a private jet with Relativity's co-founder.

But the company quickly tanked. OneWest pulled out \$50 million, emptying several Relativity accounts, including one earmarked for guild expenses that included wages for contractors and tradesmen. Mr. Mnuchin bailed out just before the studio declared bankruptcy.

There have been press reports that the FBI has denied a Freedom of Information Act request concerning Relativity Media, on the ground that disclosure is likely to interfere with a pending law enforcement proceeding. I have read the FBI background report on Mr. Mnuchin, and I saw no discussion of any such enforcement action in the report. That may be entirely appropriate, but I would like to continue to work with the chairman to find out what the enforcement proceedings cited in the FOIA denial are and how they relate to the nominee, if at all.

For Mr. Mnuchin, Relativity's failure wasn't much of a setback, considering the profits that OneWest's foreclosure machine was still pulling in. The purchase price of the bank in 2009 was less than \$1.6 billion. After 5 years of foreclosures and profits, it sold for \$3.4 billion to CIT Group.

Outside OneWest and Relativity, Mr. Mnuchin spent years as a director of the holding company that owned Sears, an iconic American brand. He served on the committee that watchdogged the Sears' employee pension fund. The record shows the plan was routinely mismanaged and underfunded.

Retirees recently saw their pensions cut, losing a monthly health care stipend that was enough to offset roughly a third of the premiums seniors pay for Medicare Part B. Sears has also shuttered hundreds of stores nationwide over the last few years, and recently announced another round of closures.

Once again showing his impressive capacity to advantage himself while others fell behind, Mr. Mnuchin joined a small group of investors that spun off the company's real estate into a separate trust. It was arguably the most valuable asset Sears had left. So as retirees watch their pensions shrink and Sears' remaining workers face an uncertain future, this small number of powerful individuals made out fine.

As I wrap up, I want to step back for just a moment to talk about the role of Secretary of the Treasury. The person who leads the Treasury Department has influence over Americans' paychecks and mortgages, the caliber of job opportunities they face, the safety and stability of the financial system that holds and invests their hard-earned dollars, and much more. They have the power to help reverse decades of yawning inequality that have hollowed out the middle class, dimmed the hopes of younger generations and left millions buried in debt.

The Treasury Secretary ought to be somebody who works on behalf of all Americans, including those who are still waiting for the economic recovery to show up in their communities. When I look at Mr. Mnuchin's background, it's a stretch to find evidence he'd be that kind of Treasury Secretary.

That said, Mr. Mnuchin, I appreciate your willingness to serve and answer questions before this committee, and I look forward to your testimony.

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## COMMUNICATIONS

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### COMPUTING TECHNOLOGY INDUSTRY ASSOCIATION (COMPTIA)

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Thank you for the opportunity to express our views on this very important subject. On behalf of the Computing Technology Industry Association (CompTIA), I urge members of the Senate Finance Committee, Secretary-designate Mnuchin, and the Congress as a whole to pursue much-needed reforms to our corporate tax code.

CompTIA is the world's leading technology association, with approximately 2,000 member companies, 3,000 academic and training partners, over 100,000 registered users and more than 2 million IT certifications issued. CompTIA's unparalleled range of programs foster workforce skill's development and generate critical knowledge and insight—building the foundation for technology's future.

A competitive tax policy that includes a lower rate, employs territoriality, and incentivizes innovation and investment in the United States, is critical for American technology companies to thrive in the United States and the world. Our industry and many others are constrained by an outmoded and complex federal tax code that is in need of overhaul to reflect the dynamism of American ingenuity. The U.S. corporate tax rate is among the highest in the industrialized world, and of the countries that employ a territorial tax system, the U.S. corporate rate is more than 50 percent higher (39 percent) than the next ranking country (24 percent).

Our members support leveling the playing field both domestically and internationally, seeking to eliminate the inequities of the current tax code, including the ever-increasing costs associated with tax compliance. Any corporate tax reform proposals must treat the information technology industry equitably—both large companies, as well as small and medium-sized businesses.

Specifically, CompTIA supports the following principles within the broader context of corporate tax reform:

- **Lower the corporate tax rate to 25 percent.** U.S. companies are burdened with the highest corporate tax rate among OECD countries, making them less competitive with their foreign competitors. We support lowering the corporate tax rate to 25 percent, without increasing taxes on small and medium-sized businesses.
- **Enact a territorial international tax system.** The United States is one of a handful of developed countries that taxes corporate earnings on a global basis. This means that a U.S. company's foreign earnings are subject to U.S. tax when repatriated, increasing the foreign tax rate on these earnings to the U.S. rate. We support enactment of a territorial international system that would remove the punitive tax that prevents foreign earnings from being repatriated to the United States.
- **Tax "innovation box profits" at a lower rate than the corporate rate of 35 percent.** We support policies that foster innovation such as a "patent box" to attract and retain domestic intellectual property development and ownership. A lower rate of taxation on innovation would encourage companies to continue to reinvest in domestic IP development while remaining competitive globally.
- **Make the CFC look-through rule permanent.** The territoriality provisions of most other developed countries allow domestically based companies operating abroad to structure their foreign operations without the additional home country tax of the sort imposed by the U.S. subpart F rules. In December 2015, the

rule was extended through FY20 in the FY16 omnibus. Making the CFC look-through permanent would allow U.S. based companies to marshal their capital outside the United States in a way that would enable them to compete on a more level playing field with their foreign competitors.

- **Tax repatriated profits at a lower rate.** We support legislation that incentivizes U.S.-based companies to reinvest profits back into the United States by allowing those repatriated profits to be taxed at a lower rate. Currently, companies are discouraged from repatriating their profits because of the high corporate tax rate that would result.

The last major tax reform occurred in 1986. While many support reform, congressional debate continues, and timing for action remains uncertain. Such uncertainty hinders growth. The United States has long been the global hub for innovation, but absent broad, commonsense reforms to our tax code, innovation, job, and economic growth could all be stifled, threatening our position as the global leader.

CompTIA welcomes this opportunity to offer our perspective on this issue and others facing the IT industry and nation. The information, communication, and technology sector is one of the largest industry sectors in the U.S. economy. The market is \$3.7 trillion globally, and \$ 1 trillion in the United States, employing approximately 5.7 million Americans. To put it into perspective, the gross output of the technology sector exceeds that of the legal services industry, the automotive industry, the airline industry, the motion picture industry, the hospitality industry, the agriculture industry, and the restaurant industry, just to name a few examples (source: U.S. Bureau of Economic Analysis).

The technology industry not only helps drive economic growth in a multitude of ways, but it continues to significantly enrich how we live, work, and play. We stand ready to work with you, and I am happy to address any questions you may have.

Respectfully,

Elizabeth Hyman

Executive Vice President, Public Advocacy

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LETTER SUBMITTED BY MIKE JONES

U.S. Senate  
Committee on Finance  
Dirksen Senate Office Building  
Washington, DC 20510-6200

To Whom it May Concern:

I am writing you as an American citizen and a citizen of Nevada where the housing crisis hit us the hardest to plead with you not to confirm Steven Mnuchin as Treasury Secretary.

The 2007-2008 economic crash was a scary time in Nevada. The last person we need in charge of Treasury is someone whose greed and coldness contributed to this.

This man is known as the "Foreclosure King" for a reason, and considering our state suffered from mass foreclosures more than just about anyone, a vote to confirm him is a slap in the face to the people of Nevada and across the country who fell on hard times during this crisis.

A man who would foreclose on an elderly women over being 27 cents short on her mortgage payment is not someone who cares about the struggles of the average American.

Donald Trump campaigned to "drain the swamp," and he used Goldman Sachs as his punching bag against Ted Cruz and Hillary Clinton. Where does he get any sort of justification to name the number two man at Goldman Sachs as the person in charge of the economy?

If you can't see that this is setting us up for another global financial collapse, unfortunately I feel that you will realize it eventually. When it is too late.

Please Senators, do the right thing now and vote to stop this nomination in its tracks.

Thank you for your service.

Sincerely,  
Mike Jones

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LETTER SUBMITTED BY ERICA HELM MEADE

U.S. Senate  
Committee on Finance  
Dirksen Senate Office Building  
Washington, DC 20510-6200

Dear Senators,

I strongly urge you to oppose the nomination of Steven Mnuchin for Treasury Secretary, because appointing him would be the opposite of what President-elect Trump promised to do: rid the government of pay-to-play politics.

Mr. Mnuchin is a Wall Street mogul who has, through predatory lending and aggressive foreclosures, enriched himself and his colleagues at devastating expense to ordinary families, seniors, and working-class communities. As Treasury Secretary, I expect he would institutionalize the same abuses, further damaging our society and economy. This is the opposite of Mr. Trump's promise to "drain the swamp" of bad actors and their self-serving practices that harm so many.

Please oppose this nomination.

Thank you most kindly for your attention.

Sincerely,  
Erica Helm Meade

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LETTER SUBMITTED BY JAN TOMASSONE-BACH

January 27, 2017

U.S. Senate  
Committee on Finance  
Dirksen Senate Office Bldg.  
Washington, DC 20510-6200

To the honorable members of the Senate Committee on Finance:

I watched the hearing held on January 19, 2017, to consider the nomination of Steven Mnuchin. The vast amount of evidence presented by many committee members exposed his unethical practices and self-serving behavior leaving in his wake thousands of individuals and families in total ruins and devastation. I truly believe Mr. Mnuchin should not be nominated to be Secretary of the Treasury.

We need to be protected from people like him. He is not the man to hold one of the most important offices in the Nation. He didn't follow the rules and failed in providing the highest standard of care when he ran businesses, banks, investments, and pensions. With all due respect, what makes you think he'll be any different just because he says he will? His past actions speak louder than his words. They were border-line criminal. Oh, but I forget, his weren't as bad as the other criminals. Has he really repented?

Based on the millions and millions of dollars he left out of his disclosure, then blaming someone else for bad advice, and using the excuse that the forms were overwhelming even for him, doesn't pass the smell test. The "I didn't know" excuse is exactly what we heard from the executives who created the financial crises in 2007-2008 and recently the Wells Fargo CEO. Today they are personally richer than ever yet the public bailed out their institutions. Couldn't he or his advisor have picked up the phone and asked about including his real estate holdings? Wasn't it important enough?

When I was 18 and applied for a secretarial job at United Airlines headquarters after already working there with great reviews, as a temp, my application was declined because I listed August 8, 1975 as my high school graduation date. It was an honest mistake, but I didn't get the job because the head of HR said I lied. I

cried like a baby. I can blame it on the fact that it was my first real job application, I was only 18 and in a hurry, and that the head of HR didn't like it that the department head offered me the job before going to HR. Bottom line, I didn't get the job because of this error. Why should the standards for the Secretary of the Treasury be any less? They aren't any less for you, are they?

Again, with all due respect, I have made some snarky remarks, but as my Mom used to say, if it looks like a duck, swims like a duck, and quacks like a duck, then it's probably a duck! I firmly believe that he will blindsides all of you and the President, resulting in a devastating effect on our economy and economies across the globe. Please, I implore all of you, do not nominate Mr. Mnuchin.

Thank you for your consideration, dedication, and commitment to your office and the people of the United States.

Sincerely,

Jan Tomassone-Bach

