

Congress of the United States
Washington, DC 20515

May 20, 2020

The Honorable Jerome H. Powell
Chairman
Board of Governors of the Federal Reserve System
20th Street & Constitution Avenue, NW
Washington, DC 20551

The Honorable Steven T. Mnuchin
U.S. Department of the Treasury
1500 Pennsylvania Ave NW
Washington, D.C. 20220

Dear Chairman Powell and Secretary Mnuchin:

We write to strongly urge you to reconsider use of the Primary Market Corporate Credit Facility (PMCCF) program to bail out large corporations without any guardrails. Taxpayer assistance should include essential corporate accountability provisions and put workers and taxpayers first.

In 2008, the federal response to the financial crisis provided hundreds of billions of dollars in a bailout with virtually no conditions. The results for Wall Street were tremendous – a quick return to profitability, large executive compensation packages, major stock buy-back programs, and more.

For working families, the results were unacceptable. For years after the crisis, American families struggled to return to financial stability, and many still have not. Workers lost jobs, hard-earned pensions, benefits, and homes, and never fully recovered.

Now, faced with an unprecedented economic crisis unleashed the Administration's failed response to COVID-19, millions are concerned that they will once again be left behind.

The taxpayer protections for corporate bailout funds included in the Coronavirus Aid, Relief, and Economic Security (CARES) Act do not go far enough, but the legislation does take steps to correct some of the mistakes made in 2008 by ensuring that relief to corporations comes with minimal guardrails.

The CARES Act was signed into law on March 27 and required recipients of direct loans from Federal Reserve programs or facilities to agree to suspend stock buybacks for the life of the loan, plus one year; stop dividends and other capital distributions for the life of the loan, plus one year; and restrict pay increases for corporate officers (and reduces overall pay for the highest-paid CEOs) until one year after the loan is repaid.

Before the CARES Act was passed into law, on March 23, 2020, the Federal Reserve unveiled the PMCCF program offering both direct loans and bond purchases to corporations. On April 9, two weeks after the new restrictions in CARES went into effect, the Fed modified the PMCCF to exclude direct lending, thereby ensuring that large corporations will be able to access taxpayer

funding without any strings attached. The Fed did not provide any explanation for the removal of the direct lending from the facility – but the functional effect appears to create a loophole that allows corporations to accept Federal Reserve loans without requiring that they abide by the CARES Act requirements put in place by Congress and the President.

Without these guardrails, we are concerned that this aid will result in massive giveaways with no accountability or protections for workers or taxpayers. To the extent that the Federal Reserve considers assistance to particular corporations, we seek some accountability rather than a blank check. To that end, we urge you to ensure that Primary Market Corporate Credit Facility program terms include appropriate constraints for those corporations accepting taxpayer funding, including at the very least:

- **Tax dollars must not be used to reward wealthy shareholders and executives.** No stock buybacks, dividends, or executive bonuses until federal funds are repaid in full.
- **Tax dollars must not be used to fuel out of control CEO-to-worker pay ratios.** To ensure these funds should be used to support workers and not line the pockets of corporate executives and officers, there should be a cap on executive compensation for companies that accept bailout money.
- **Workers must come first.** Corporations must use federal assistance to maintain their payrolls without implementing concessions on wages, hours, or benefits. Workers and collective bargaining agreements must be protected in the case of bankruptcy, no funds should be used for anti-union campaigns or to undermine collective bargaining efforts, and all companies receiving aid should guarantee a \$15 minimum wage for all workers, contractors, and subcontractors no later than January 1, 2021.
- **Workers must have a seat at the table.** Corporate recipients of public assistance must reserve at least one seat on their board for a representative elected by workers.
- **Companies must be transparent.** All companies receiving aid should disclose how federal aid funds are being used to help its workers as well as country-by-country tax reporting information.
- **No bailouts for “inverted companies.”** The current rule in the most recent version of the Fed’s term sheet that corporations must be headquartered in the United States to be eligible for assistance must be strongly enforced.

Sincerely,

Peter A. DeFazio
Member of Congress

Lloyd Doggett
Member of Congress

Elizabeth Warren
United States Senator

Grace F. Napolitano
Member of Congress

Edward J. Markey
United States Senator

Raúl M. Grijalva
Member of Congress

Jeffrey A. Merkley
United States Senator

Mark Takano
Member of Congress

Sheldon Whitehouse
United States Senator

Jan Schakowsky
Member of Congress

Eleanor Holmes Norton
Member of Congress

Dwight Evans
Member of Congress

Steve Cohen
Member of Congress

Rashida Tlaib
Member of Congress

Bonnie Watson Coleman
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Alan Lowenthal
Member of Congress

Jerrold Nadler
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Bennie G. Thompson
Member of Congress

Danny K. Davis
Member of Congress

Val B. Demings
Member of Congress

Nydia M. Velázquez
Member of Congress

James P. McGovern
Member of Congress

Joyce Beatty
Member of Congress

Lucille Roybal-Allard
Member of Congress

Bernard Sanders
United States Senator

Richard Blumenthal
United States Senator

Kirsten Gillibrand
United States Senator

Sherrod Brown
United States Senator

Mazie K. Hirono
United States Senator

Chris Van Hollen
United States Senator

Darren Soto
Member of Congress

Alexandria Ocasio-Cortez
Member of Congress

Jesús G. “Chuy” García
Member of Congress

Barbara Lee
Member of Congress

Bobby L. Rush
Member of Congress

Ayanna Pressley
Member of Congress

Rosa L. DeLauro
Member of Congress

Marcy Kaptur
Member of Congress

Ro Khanna
Member of Congress

Ilhan Omar
Member of Congress

Tim Ryan
Member of Congress

Mike Doyle
Member of Congress

Henry C. "Hank" Johnson, Jr.
Member of Congress

Joe Neguse
Member of Congress

Jamie Raskin
Member of Congress

Andre' Carson
Member of Congress

Alcee L. Hastings
Member of Congress

Frank Pallone, Jr.
Member of Congress

Diana DeGette
Member of Congress

Adriano Espaillat
Member of Congress

Judy Chu
Member of Congress

Tony Cárdenas
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Jimmy Gomez
Member of Congress

Thomas R. Suozzi
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