119TH CONGRESS
1st Session
HOUSE OF REPRESENTATIVES
REPORT
119–366

STRESS TESTING ACCOUNTABILITY AND TRANSPARENCY ACT

NOVEMBER 4, 2025.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. HILL of Arkansas, from the Committee on Financial Services, submitted the following

REPORT

together with

MINORITY VIEWS

[To accompany H.R. 5270]

The Committee on Financial Services, to whom was referred the bill (H.R. 5270) to require the Board of Governors of the Federal Reserve System to issue rules to establish certain methodologies and scenarios used in stress testing, and for other purposes, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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69–006

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Stress Testing Accountability and Transparency Act".

SEC. 2. RULEMAKING RELATED TO STRESS CAPITAL BUFFER REQUIREMENTS.

(a) IN GENERAL.—Not later than 90 days after the date of the enactment of this section, the Board of Governors of the Federal Reserve System (in this Act referred to as the "Board") shall issue a rule—

(1) establishing the models, assumptions, formulas, and other decisional methodologies that are used to conduct any stress test pursuant to section 165(i) of the Financial Stability Act of 2010 (12 U.S.C. 5365(i)), including any such test that is used to determine any component or subcomponent of the stress capital buffer requirement for a covered company; and

(2) to determine, where the Board has supervisory stress test results from two or more periodic analyses of a covered company, the covered company's stress capital buffer requirement on the basis of supervisory stress test results from two or more periodic analyses of that covered company.

(b) CHANGES.—The Board may only make material changes to the methodologies established in the rule issued under subsection (a)(1) through notice and comment rulemaking.

(c) NO DOUBLE-COUNT.—The Board shall ensure no double-count of capital requirements for the same risks in the stress capital buffer requirement and the risk-based capital requirements.

(d) DEFINITIONS.—In this section:

(1) COVERED COMPANY.—The term "covered company" means a company to which section 225.8 of title 12, Code of Federal Regulations, or section 238.170 of title 12, Code of Federal Regulations, applies.

(2) STRESS CAPITAL BUFFER REQUIREMENT.—The term "stress capital buffer requirement" has the meaning given that term under—

(A) section 225.8(d) of title 12, Code of Federal Regulations; and

(B) section 238.170(d) of title 12, Code of Federal Regulations.

(e) RULE OF CONSTRUCTION.—Nothing in this section may be construed to imply that the Board is required to establish a stress capital buffer requirement for any bank holding company or any other company regulated by the Board.

SEC. 3. RULEMAKING RELATING TO STRESS TESTING.

(a) IN GENERAL.—Beginning in the first calendar year beginning after the date of the enactment of this section, the Board shall, not less than 60 days before conducting a stress test pursuant to section 165(i) of the Financial Stability Act of 2010, publicly disclose each scenario to be used in such stress test.

(b) PROHIBITION.—The Board may not, by rule or otherwise, subject any nonbank financial company or bank holding company to a climate-related stress test using the authority provided in section 165(i) of the Financial Stability Act of 2010.

SEC. 4. GAO REPORT.

(a) IN GENERAL.—The Comptroller General of the United States shall, every 3 years, conduct a study and submit a report to the Congress with respect to the stress tests conducted by the Board under section 165(i) of the Financial Stability Act of 2010 in the 3 most recent calendar years.

(b) CONTENTS.—The report submitted to the Congress under subsection (a) shall consider the effectiveness of the stress tests in evaluating—

(1) the safety and soundness of the nonbank financial companies and bank holding companies subjected to stress tests; and

(2) the stability of the United States financial system.

PURPOSE AND SUMMARY

H.R. 5270, the *Stress Testing Accountability and Transparency Act* was introduced on September 10, 2025, by Republican Representative Bill Huizenga (MI–04). This bill requires the Federal Reserve Board (FRB) to issue regulations to establish the models, assumptions, and scenarios used in annual stress tests that serve as the basis for covered banking organizations' stress capital buffer (SCB) requirements. It also prohibits climate-related stress tests for nonbank financial companies and directs the Government Accountability Office (GAO) to report every three years on the effectiveness of stress testing in assessing the safety and soundness of institutions subjected to stress tests and the stability of the U.S. financial system.

BACKGROUND AND NEED FOR LEGISLATION

Section 165 of the *Dodd-Frank Act* requires the FRB to conduct stress tests of certain bank holding companies to determine whether they have "the capital, on a total consolidated basis, necessary to absorb losses as a result of adverse economic conditions."[1] Under the current regulations, category I, II, and III firms are subject to annual stress testing, and category IV firms are subject to biennial stress testing. Certain intermediate holding companies of foreign banking organizations are also subject to the stress testing requirements. The FRB uses supervisory financial data to subject each covered firm to a severely adverse scenario, which is characterized by a severe global recession. This test is intended to evaluate the financial resilience of the covered firms by estimating their losses, revenues, expenses, and resulting capital levels under the hypothetical scenario. If a firm fails to maintain a SCB, it is subject to automatic restrictions on capital distributions, including limitations on dividends to shareholders, share repurchases, and executive compensation.

Each model used by the FRB is a mathematical formula derived from statistical models, yet these models are not publicly disclosed or issued for public comment by rulemaking. Most concerning, last year's Basel III Endgame proposal included considerably higher capital requirements for operational and market risk, which FRB Governor Waller stated has already been captured by stress testing for the past decade. If Basel III had been finalized as proposed, banks would be required to hold more capital than is necessary to safeguard against even significant economic and/or market downturns.

The FRB issued a proposal earlier this year to reduce the volatility of stress test capital requirements and indicated they are planning to issue an additional proposal later this year on models and scenarios used to determine the hypothetical losses and revenues of banks under stress. This legislation directs the FRB to issue regulations that are consistent with those changes.

COMMITTEE CONSIDERATION

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On September 10, 2025, Representative Huizenga introduced H.R. 5270, the *Stress Testing Accountability and Transparency Act*, with Representative Andy Barr (R–KY) as original cosponsor. Representative Pete Sessions (R–TX) was added subsequently as a cosponsor. The bill was referred solely to the Committee on Financial Services.

This bill was attached to the May 14, 2025, hearing titled "Enhancing Competition: Shaping the Future of Bank Mergers and De Novo Formation."

[1] 12 U.S.C. § 5365.

On September 16, 2025, the Committee on Financial Services met in open session to consider, among others, H.R. 5270. The Committee ordered H.R. 5270, as amended, to be favorably reported to the House of Representatives.

118TH CONGRESS

On May 8, 2024, Representative Barr introduced H.R. 8287, the *Stress Testing Accountability and Transparency Act*. The bill was referred solely to the Committee on Financial Services.

A draft version of the bill was attached to the May 15, 2024, hearing titled, "Oversight of Prudential Regulators." Provisions of H.R. 8287 were included as a title in H.R. 8337, the *Bank Resilience and Regulatory Improvement Act*, introduced by Representative Barr on May 10, 2024, which was ordered to be reported favorably by the Committee on May 16, 2024 by a vote of 24 yeas and 22 nays. On December 3, 2024, the Committee filed H. Rept. 118–788 to accompany H.R. 8337. There was no further action on H.R. 8337 in the 118th Congress.

RELATED HEARINGS

Pursuant to clause 3(c)(6) of rule XIII of the Rules of the House of Representatives, the following hearing was used to develop H.R. 5270:

The Subcommittee on Financial Institutions held a May 14. 2025, hearing titled, "Enhancing Competition: Shaping the Future of Bank Mergers and De Novo Formation." A discussion draft version of the bill was attached to the hearing. The Subcommittee heard testimony from the following witnesses: Mr. Keith Costello, President and CEO, Locality Bank; Ms. Mary Usategui, President and CEO, BankMiami; Ms. Amanda Allexon, Partner, Simpson Thacher & Bartlett LLP; Mr. John Berlau, Senior Fellow and Director of Finance Policy, Competitive Enterprise Institute; and Mrs. ReShonda Young, Founder, Jabez Inc.

COMMITTEE VOTES

Clause 3(b) of rule XIII of the Rules of the House of Representatives requires the Committee Report to include record votes on the motion to report legislation and amendments thereto.

On September 16, 2025, the Committee ordered H.R. 5270, as amended, to be reported favorably to the House by a recorded vote of 28 yeas and 24 nays, a quorum being present. (Record Vote No. FC–206).

The Committee considered the following amendments to H.R. 5270:

- Representative Huizenga offered an amendment in the nature of a substitute, designated HUIZEN_043, which made minor edits and technical changes. This amendment was adopted by a voice vote.
- Representative Sean Casten (D–IL) offered an amendment (No. 4), designated CASTEN_072. The amendment would strike the underlying bill's prohibition on the Federal Reserve's ability to subject a nonbank financial company or bank holding company to a climate-related stress test. This amendment

failed by a recorded vote of 24 yeas and 28 nays, a quorum being present. (Record Vote No. FC–204).

- Representative Maxine Waters (D–CA) offered an amendment (No. 5), designated WATERS_096. The amendment would prohibit the provisions of the underlying bill from taking effect until a Federal court determines that the President has attempted to unlawfully remove a governor of the Board of Governors of the Federal Reserve System. This amendment failed by a recorded vote of 24 yeas and 28 nays, a quorum being present. (Record Vote No. FC–205).

Committee on Financial Services

Markup 8
September 16, 2025

Bill: **H.R. 5270**
Measure: **ANS to H.R. 5270**
Amdt/Designated: **4. CASTEN_072 [Casten 1]**

Motion: **to adopt the amendment**

Record Vote No.
FC-204

Disposition: **NOT AGREED TO (24-28)**

Member	Yea	Nay	Not Recorded	Member	Yea	Nay	Not Recorded
Chairman Hill		X		Ranking Member Waters	X		
Mr. Lucas		X		Ms. Velázquez	X		
Mr. Sessions		X		Mr. Sherman	X		
Mr. Huizenga		X		Mr. Meeks	X		
Mrs. Wagner		X		Mr. Scott	X		
Mr. Barr		X		Mr. Lynch	X		
Mr. Williams (TX)		X		Mr. Green (TX)	X		
Mr. Emmer		X		Mr. Cleaver	X		
Mr. Loudermilk		X		Mr. Himes	X		
Mr. Davidson		X		Mr. Foster	X		
Mr. Rose		X		Mrs. Beatty	X		
Mr. Steil		X		Mr. Vargas	X		
Mr. Timmons		X		Mr. Gottheimer	X		
Mr. Stutzman		X		Mr. Gonzalez	X		
Mr. Norman		X		Mr. Casten	X		
Mr. Meuser		X		Ms. Pressley	X		
Mrs. Kim		X		Ms. Tlaib	X		
Mr. Donalds			X	Mr. Torres (NY)	X		
Mr. Garbarino		X		Ms. Garcia (TX)	X		
Mr. Fitzgerald		X		Ms. Williams of GA	X		
Mr. Flood		X		Ms. Pettersen	X		
Mr. Lawler		X		Mr. Fields	X		
Ms. De La Cruz		X		Ms. Bynum	X		
Mr. Ogles		X		Mr. Liccardo	X		
Mr. Nunn		X					
Mrs. McClain		X					
Ms. Salazar			X				
Mr. Downing		X					
Mr. Haridopolos		X					
Mr. Moore (NC)		X					
	0	**28**	**2**		**24**	**0**	**0**

Committee Totals:	Yeas	Nays	Not Voting
	24	**28**	**2**

Committee on Financial Services

Markup 8 — *Bill:* **H.R. 5270**

September 16, 2025 — *Measure:* **ANS to H.R. 5270**

Amdt/Designated: **5. WATERS_096 [Waters 2]**

Motion: **to adopt the amendment**

Record Vote No.

FC-205 — *Disposition:* **NOT AGREED TO (24-28)**

Member	Yea	Nay	Not Recorded	Member	Yea	Nay	Not Recorded
Chairman Hill		X		Ranking Member Waters	X		
Mr. Lucas		X		Ms. Velázquez	X		
Mr. Sessions		X		Mr. Sherman	X		
Mr. Huizenga		X		Mr. Meeks	X		
Mrs. Wagner		X		Mr. Scott	X		
Mr. Barr		X		Mr. Lynch	X		
Mr. Williams (TX)		X		Mr. Green (TX)	X		
Mr. Emmer		X		Mr. Cleaver	X		
Mr. Loudermilk		X		Mr. Himes	X		
Mr. Davidson		X		Mr. Foster	X		
Mr. Rose		X		Mrs. Beatty	X		
Mr. Steil		X		Mr. Vargas	X		
Mr. Timmons		X		Mr. Gottheimer	X		
Mr. Stutzman		X		Mr. Gonzalez	X		
Mr. Norman		X		Mr. Casten	X		
Mr. Meuser		X		Ms. Pressley	X		
Mrs. Kim		X		Ms. Tlaib	X		
Mr. Donalds			X	Mr. Torres (NY)	X		
Mr. Garbarino		X		Ms. Garcia (TX)	X		
Mr. Fitzgerald		X		Ms. Williams of GA	X		
Mr. Flood		X		Ms. Pettersen	X		
Mr. Lawler		X		Mr. Fields	X		
Ms. De La Cruz		X		Ms. Bynum	X		
Mr. Ogles		X		Mr. Liccardo	X		
Mr. Nunn		X					
Mrs. McClain		X					
Ms. Salazar			X				
Mr. Downing		X					
Mr. Haridopolos		X					
Mr. Moore (NC)		X					
	0	28	2		24	0	0

Committee Totals:	Yeas	Nays	Not Voting
	24	28	2

Committee on Financial Services

Markup 8 *Bill:* **H.R. 5270**
September 16, 2025 *Measure:* **H.R. 5270 (as amended)**
Amdt/Designated:

Record Vote No. *Motion:* **to report favorably**
FC-206 *Disposition:* **AGREED TO (28-24)**

Member	Yea	Nay	Not Recorded	Member	Yea	Nay	Not Recorded
Chairman Hill	X			Ranking Member Waters		X	
Mr. Lucas	X			Ms. Velázquez		X	
Mr. Sessions	X			Mr. Sherman		X	
Mr. Huizenga	X			Mr. Meeks		X	
Mrs. Wagner	X			Mr. Scott		X	
Mr. Barr	X			Mr. Lynch		X	
Mr. Williams (TX)	X			Mr. Green (TX)		X	
Mr. Emmer	X			Mr. Cleaver		X	
Mr. Loudermilk	X			Mr. Himes		X	
Mr. Davidson	X			Mr. Foster		X	
Mr. Rose	X			Mrs. Beatty		X	
Mr. Steil	X			Mr. Vargas		X	
Mr. Timmons	X			Mr. Gottheimer		X	
Mr. Stutzman	X			Mr. Gonzalez		X	
Mr. Norman	X			Mr. Casten		X	
Mr. Meuser	X			Ms. Pressley		X	
Mrs. Kim	X			Ms. Tlaib		X	
Mr. Donalds			X	Mr. Torres (NY)		X	
Mr. Garbarino	X			Ms. Garcia (TX)		X	
Mr. Fitzgerald	X			Ms. Williams of GA		X	
Mr. Flood	X			Ms. Pettersen		X	
Mr. Lawler	X			Mr. Fields		X	
Ms. De La Cruz	X			Ms. Bynum		X	
Mr. Ogles	X			Mr. Liccardo		X	
Mr. Nunn	X						
Mrs. McClain	X						
Ms. Salazar			X				
Mr. Downing	X						
Mr. Haridopolos	X						
Mr. Moore (NC)	X						
	28	**0**	**2**		**0**	**24**	**0**

Committee Totals:	Yeas	Nays	Not Voting
	28	**24**	**2**

COMMITTEE OVERSIGHT FINDINGS

Pursuant to clause 3(c) of rule XIII of the Rules of the House of Representatives, the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives are incorporated in the descriptive portions of this report.

PERFORMANCE GOALS AND OBJECTIVES

Pursuant to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the goal of H.R. 5270 is to increase transparency and accountability of the FRB's stress testing regime by requiring the FRB to publicly disclose, through notice and comment, the models, assumptions, and methodologies that are used to conduct stress tests.

COMMITTEE COST ESTIMATE

Clause 3(d)(1) of rule XIII of the Rules of the House of Representatives requires an estimate and a comparison of the costs that would be incurred in carrying out H.R. 5270. The Committee has requested but not received a cost estimate from the Director of the Congressional Budget Office. However, pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee will adopt as its own the cost estimate by the Director of the Congressional Budget Office once it has been prepared.

NEW BUDGET AUTHORITY AND CBO COST ESTIMATE

With respect to the requirements of clause 3(c)(2) of rule XIII of the Rules of the House of Representatives and section 308(a) of the *Congressional Budget Act of 1974* and with respect to requirements of clause 3(c)(3) of rule XIII of the Rules of the House of Representatives and section 402 of the *Congressional Budget Act of 1974*, the Committee will adopt as its own the cost estimate for the bill prepared by the Director of the Congressional Budget Office. However, a cost estimate was not made available to the Committee in time for the filing of this report. The Chairman of the Committee shall cause such estimate to be printed in the Congressional Record upon its receipt by the Committee.

UNFUNDED MANDATES STATEMENT

The Committee has requested but not received from the Director of the Congressional Budget Office an estimate of the Federal mandates pursuant to section 423 of the *Unfunded Mandates Reform Act*. The Chairman of the Committee shall cause such estimate to be printed in the Congressional Record upon its receipt by the Committee.

EARMARK STATEMENT

In compliance with clause 9 of rule XXI of the Rules of the House of Representatives, this bill, as reported, contains no congressional earmarks, limited tax benefits, or limited tariff benefits as defined in clause 9(e), 9(f), or 9(g) of rule XXI.

FEDERAL ADVISORY COMMITTEE ACT STATEMENT

No advisory committees within the meaning of section 5(b) of the *Federal Advisory Committee Act* were created by this legislation.

APPLICABILITY TO THE LEGISLATIVE BRANCH

The Committee finds that the legislation does not relate to the terms and conditions of employment or access to public services or accommodations within the meaning of section 102(b)(3) of the *Congressional Accountability Act*.

DUPLICATION OF FEDERAL PROGRAMS

Pursuant to clause 3(c)(5) of rule XIII of the Rules of the House of Representatives, the Committee states that no provision of the bill establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, including any program that was included in a report to Congress pursuant to section 21 of the Public Law 111–139 or the most recent Catalog of Federal Domestic Assistance.

SECTION-BY-SECTION ANALYSIS OF THE LEGISLATION

Section 1. Short title

Section 1 provides the short title is the "Stress Testing Accountability and Transparency Act".

Section 2. Rulemakings related to stress capital buffer requirements

Section 2 requires the FRB, within 90 days of enactment of this Act, to issue a rule establishing the models, assumptions, formulas, and other methodologies that are used to conduct stress tests. This includes any such test that is used to determine any component or subcomponent of the stress capital buffer of an institution. Additionally, the rule shall require the FRB to establish a stress capital buffer based on two or more periodic analyses of a covered company as opposed to one. This section clarifies that the FRB may only make material changes to the methodologies established in the rule through notice and comment rulemaking. This section requires the FRB to ensure no double-counting of capital requirements for the same risks in the stress capital buffer requirement and the risk-based capital requirements. This section clarifies that nothing in this section may be construed to imply that the FRB is required to establish a stress capital buffer requirement for any bank holding company.

Section 3. Rulemaking relating to stress testing

Section 3 requires the FRB to publicly disclose each scenario to be used in such tests 60 days before conducting a stress test, beginning in the first calendar year after the date of enactment of this Act. This section prohibits the FRB from subjecting any nonbank financial company or bank holding company to a climate-related stress test.

Section 4. GAO report

Section 4 requires the Comptroller General of the U.S. to conduct a study every three years, and submit a report to Congress, on the effectiveness of the stress tests in evaluating the safety and soundness of the nonbank financial companies and bank holding companies subjected to stress tests and the stability of the U.S. financial system.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

H.R. 5270 does not repeal or amend any section of a statute. Therefore, the Office of Legislative Counsel did not prepare the report required under clause 3(e) of rule XIII of the House of Representatives.

DOCUMENTS INLUDED BY UNANIMOUS CONSENT

'Perfect storm' leads to surging home insurance costs

Nick Manes - November 1, 2024

Increasingly severe weather like a tornado that struck Gaylord in May 2022 is among the reasons homeowners insurance premiums are quickly rising in Michigan. Credit: Bloomberg

Like most everything else, the cost to insure a home continues to rise, and Michigan is one state nearing what one group is calling a "crisis." A new report by Insurify, a Massachusetts-based consumer insurance comparison company, notes that Michigan is among more than a dozen states projected to see some of the highest growth in premiums to insure a home, rising about 14% this year over 2023. To be sure, Michigan is free from many of the worsening natural disasters — hurricanes and wildfires — affecting states including Florida, Texas and California. In fact, Michigan and surrounding states have been touted as potential "climate havens" for residents of states feeling the brunt of climate change. But real estate and insurance experts say that a variety of factors, from the state's aging housing stock to worsening storm systems, are likely all contributing to Michigan homeowners getting some sticker shock as their home insurance premiums continue to increase. The worsening weather caused by climate change, coupled with metro Detroit's older housing stock as well as the economic conditions of the last several years essentially makes for a "perfect storm," said Denise Mansfield, the owner of a Michigan Farm Bureau agency in Shelby Township.

CRAIN'S GRAND RAPIDS BUSINESS

Nick Manes

Nick Manes is a reporter covering residential real estate and local mortgage companies for Crain's Detroit Business. He previously covered finance and tech startups. He joined Crain's in 2020 after six years as a reporter at MiBiz.

MINORITY VIEWS

H.R. 5270 would undermine stress testing of the largest banks, a key reform imposed following the 2008 global financial crisis that was used successfully to strengthen the safety and soundness of the banking system. Specifically, the bill requires the Federal Reserve (Fed) to subject the stress capital buffer calculations and stress testing scenarios to public rulemaking. Experts have warned this would undermine the purpose of the stress tests and allow large banks to game them. This bill also includes a GAO study that would be conducted every three years to review the economic scenarios the Fed is using for its stress tests. The bill further prohibits the Fed from conducting climate-related financial risk stress tests, preventing them from addressing a rising risk that is affecting the financial system.

Wall Street banks were severely undercapitalized in the lead up to the 2008 financial crisis.[1] They funded their loans and risky bets with too much debt and not enough of their own capital. Stress testing was a key tool that regulators deployed to restore public and market confidence in the financial system in the wake of the crisis. In 2009, regulators conducted stress tests to examine whether big banks could withstand continued economic weakness without breaching their minimum capital requirements.[2] Due to the success of this stress test, Congress required annual stress tests of the nation's largest bank holding companies and systemically important financial institutions ("SIFIs").[3] The Federal Reserve implemented this requirement by creating the Dodd-Frank Act Stress Test ("DFAST") and the Comprehensive Capital Analysis and Review ("CCAR").[4] Through DFAST and CCAR, big bank balance sheets were stressed annually against a severe hypothetical economic downturn. If the projected losses brought a big bank's capital levels below regulatory minimums, it would face restrictions on its planned dividends and share buybacks. The stress testing framework, and other post crisis improvements to capital requirements helped increase big bank capital levels in the years following the financial crisis.[5] Experts have also noted that the U.S. post-crisis

[1] Financial Crisis Inquiry Commission. *The financial crisis inquiry report: final report of the National Commission on the Causes of the Financial and Economic Crisis in the United States* (Jan. 2011).

[2] Treasury, *Data: Supervisory Capital Assessment Program & Capital Assistance Program (SCAP and CAP)* (accessed Sep. 14, 2025).

[3] Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 165(i)(1). Distinct from the supervisory stress tests, the Dodd-Frank Act also established a company-run stress testing requirement.

[4] DFAST and CCAR were ultimately merged, and stress testing results were more formally integrated into the point- in-time capital requirements through the Stress Capital Buffer rulemaking. See, Fed, *Federal Reserve Board approves rule to simplify its capital rules for large banks, preserving the strong capital requirements already in place* (Mar. 4, 2020).

[5] For example, the 34 large bank holding companies subjected to the 2017 stress tests had more than doubled their high-quality risk-weighted capital levels from 5.5% in Q1 2009 to 12.5% in Q1 2017. Similarly, these banks materially increased their simpler and more reliable leverage capital levels between 2009 and 2017. Fed, "*Federal Reserve releases results of CCAR* (Jun. 28,

approach to stress testing and improving other prudential requirements strengthened the largest U.S. banks more so than their European counterparts, which faced a relatively weaker stress testing approach.[6]

But during the first Trump administration, the Fed watered down certain assumptions and requirements embedded in the stress testing framework.[7] For example, leverage capital requirements were stripped from the stress tests, certain assumptions regarding balance sheet growth were relaxed, and pre-funding requirements for planned dividends and share buybacks were significantly reduced.[8] In addition to relaxing certain stress testing assumptions and requirements, the Fed finalized a series of "transparency" amendments prompted by industry requests.[9]

In June 2024, Greg Feldberg, Research Director of Yale's Program on Financial Stability testified before the House Financial Services Committee and raised concerns about this, saying that, "Too much transparency can be a bad thing . . . . U.S. supervisors are already revealing a lot about the stress test methodologies to the regulated industry, which may allow banks to merely optimize to the stress test rather than build resiliency. The Federal Reserve's disclosures about its models and methods, along with the Bank of England's, are far more transparent than other authorities across the world."[10]

In Trump's second term, the Fed is moving forward with proposals to roll back the stress testing regime further. In response to these proposed roll backs, Fed Governor Barr warned that "banks are likely to game the capital requirements once they know the details of the stress test" and that "[f]ull disclosure of the Fed's stress models and scenarios could enable banks to optimize stress test results by adjusting their balance sheet based on their knowledge of where the models underprice risk, in order to reduce their capital requirements without materially reducing risks."[11]

While periodic GAO studies included in the bill might be helpful, forcing the Fed to publicize key details regarding stress testing and subjecting them to rulemakings would allow banks to game the stress tests, undermining the intent to ensure they improve preparedness for unexpected events. Moreover, preventing the Fed from conducting climate-related stress tests will blind our regulators from dealing with a financial stability risk that could have costly ramifications. This measure was included in a larger bank

2017); Federal Reserve Bank of Kansas City, *Bank Capital Analysis Semiannual Update* (Oct. 2024).

[6] For example, see, Bloomberg, *U.S. Banks Safer Than Europeans Due to Early Medicine, Cohn Says* (Feb. 9, 2016); Viral V. Acharya and Sascha Steffen, *Falling short of expectations? Stress-testing the European banking system* (Jan. 15, 2014); Robert A. Weigand, *A tale of two banking systems: the performance of U.S. and European banks in the 21st century* (Apr. 7, 2015).

[7] Fed, *Federal Reserve Board approves rule to simplify its capital rules for large banks, preserving the strong capital requirements already in place* (Mar. 4, 2024); Fed, *Federal Reserve Board announces it will limit the use of the "qualitative objection" in its CCAR exercise, effective for the 2019 cycle* (Mar. 6, 2019); Better Markets. *Comment Letter Re: Amendments to the Regulatory Capital, Capital Plan, and Stress Test Rules* (June 25, 2018).

[8] *Id*.

[9] Fed, *Federal Reserve Board finalizes set of changes that will increase the transparency of its stress testing program for nation's largest and most complex banks* (Feb. 5, 2019); The Clearing House, *The Clearing House Offers Recommendations to Improve Stress Testing Transparency* (Jan. 22, 2018).

[10] Greg Feldberg, Written Testimony before FSC FI Subcommittee hearing, *Stress Testing: What's Inside the Black Box?* (Jun. 26, 2024).

[11] Fed, *Statement on Stress Test Proposal by Governor Michael S. Barr* (Apr. 17, 2025).

deregulation package, H.R. 8337 (118th), that Republicans advanced on a party-line vote last Congress.

H.R. 5270 was opposed by all Committee Democrats in the markup. The bill is also opposed by Americans for Financial Reform and Public Citizen. During debate, Republicans rejected an amendment from Rep. Casten that would have eliminated the bill's provisions prohibiting the Fed from conducting climate-related stress tests in the future. Republicans also rejected an amendment from Ranking Member Waters that would promote the independence of the Federal Reserve by stipulating that the bill will take effect January 2029 but will not take effect if a Federal court finds, before that time, that the President attempted to unlawfully fire a Fed Governor.

For these reasons, we oppose H.R. 5270.

Sincerely,

MAXINE WATERS,
Ranking Member.
NYDIA M. VELÁZQUEZ,
STEPHEN F. LYNCH,
AL GREEN,
JOYCE BEATTY,
RASHIDA TLAIB,
SYLVIA R. GARCIA,
Members of Congress.