United States Senate Committee on Finance
July 22, 2025

Hearing to Consider the nominations of The Honorable Jonathan McKernan, of Tennessee, to be an Under Secretary of the Treasury, vice J. Nellie Liang, resigned and Alex Adams, of Idaho, to be Assistant Secretary for Family Support, Department of Health and Human Services, vice January Contreras.

Question for the Record submitted to Jonathan McKernan from Senator Tim Scott.

Question 1: Will you commit to working expeditiously to provide regulatory relief and index our regulatory thresholds to promote safety, soundness, and economic opportunity?

Each bank regulator should continually assess whether its regulations are tailored to the underlying risks, including opportunities to index or otherwise periodically update those regulations to adjust for inflation or economic growth as appropriate.

Question 2: In your work to coordinate and tailor bank regulation, will you work to index regulatory thresholds for GDP and eliminate cliff effects between categories that are impeding regional bank growth?

Each bank regulator should continually assess whether its regulations are tailored to the underlying risks, including opportunities to index or otherwise periodically update those regulations to adjust for inflation or economic growth as appropriate. Each bank regulator also should identify and appropriately remediate cliff effects in its supervision and regulation that could have adverse effects on economic growth or otherwise.

Questions for the Record submitted to Jonathan McKernan from Ranking Member Wyden

Question 1: If confirmed, you would oversee the Bureau of Fiscal Service (BFS) system. What will you do to safeguard the sensitive personal and financial information within the BFS systems from unauthorized access or breaches by DOGE or anyone else?

If confirmed, I will safeguard protected information at BFS in compliance with applicable law and policy.

Question 2: In a meeting with my staff, you described BFS' role in federal payments as being limited to payment processing and ensuring that the "plumbing" is efficient and secure. Will you ensure that BFS, DOGE, or other actors with access to BFS systems will not withhold any payments or benefits once they have been approved at the agency level?

If confirmed, I will ensure that BFS performs its payment processing role in compliance with applicable law and policy.

Question for the Record submitted to Jonathan McKernan from Senator Catherine Cortez Masto.

Question 1: President Trump has repeatedly expressed his displeasure with Federal Reserve Chair Powell, arguing that interest rates should be lowered by as much as three to four percentage points. He has also claimed that by not lowering interest rates, Chair Powell is costing the U.S. money due to higher interest payments on the debt. Do you believe it is the mandate of the Federal Reserve to address the deficit or is that the role of Congress?

The Federal Reserve Act mandates that the Federal Reserve conduct monetary policy so as to promote effectively the goals of maximum employment, stable prices, and moderate long-term interest rates.

Questions for the Record submitted to Jonathan McKernan from Senator Warren.

Question 1: President Trump has repeatedly called for Congress to eliminate the debt ceiling. Though the One Big Beautiful Bill Act (OBBBA) included a provision raising the debt ceiling, Brookings and the CBO estimate borrowing will hit the new limit ($41.1 trillion) within the next two years, and likely even sooner due to various OBBBA spending provisions. If confirmed, what concrete steps will you take to achieve the President's goal to scrap the debt limit permanently?

The debt limit is ultimately a question for elected officials. If confirmed, I would support your office in evaluating legislative options.

Question 2: In your view, how does the recurring, continual risk of hitting the debt limit – and the Treasury Department thus defaulting, unable to pay the nation's bills – affect the United States economy?

If confirmed, I will commit to taking a close look at the extent to which the debt limit affects the United States economy.

Question 3: Do you believe redlining and other discriminatory lending practices are still a problem in the banking system?

There should be no tolerance in the banking system for discriminatory lending practices based on race or other protected characteristics. Such discriminatory lending practices are wrong, and each bank regulator should continue to exercise its supervisory, regulatory, and enforcement authorities to identify, prevent, and stop illegal discriminatory lending practices.

Question 4: Do you believe the 1995 CRA regulations are appropriate given the changes in banking over the past 30 years?

Each bank regulator should continue to assess opportunities to modernize the CRA regulations to reflect changes in banking, including to consider lending activities outside facility-based assessment areas, to the extent authorized by the CRA.

Question 5: Do these regulations advance the statute's goal of ensuring banks meet the needs of low- and moderate-income communities?

There could be opportunities to modernize these regulations to enhance the manner in which each bank regulator assesses a bank's record of meeting the credit needs of its entire community.

Question 6: The federal banking agencies are considering a rule that would slash the enhanced supplementary leverage ratio (eSLR) for the eight global systemically important banks. The agencies and Secretary Bessent have stated that reducing the eSLR would remove impediments for banks to engage in Treasury market intermediation and thus would support Treasury market functioning.

Question 7: Do banks' investments in Treasury securities carry any liquidity, operational, or market risk?

Investments in Treasury securities can pose interest rate and other risks.

Question 8: If Treasury securities were exempted from the leverage ratio, which part of the capital framework would provide a buffer against losses on Treasury securities?

In considering changes to leverage restrictions, the bank regulators should ensure that banks have appropriate capital in light of their risk profile, including their credit, market, and operational risks. The bank regulators have recently issued a proposed rule related to the enhanced supplementary leverage ratio, and I look forward to reviewing the public comments to help inform my perspective.

Question 9: Do you oppose exempting Treasuries and other assets from the leverage ratio?

In considering changes to leverage restrictions, the bank regulators should ensure that banks have appropriate capital in light of their risk profile, including their credit, market, and operational risks. The bank regulators have recently issued a proposed rule related to the enhanced supplementary leverage ratio, and I look forward to reviewing the public comments to help inform my perspective.

Question 10: Are there other reforms Treasury and the banking and markets regulators should pursue to support Treasury markets?

Treasury and the financial services regulators should continue to explore opportunities to preserve the deepest and most liquid market in the world.

Questions for the Record submitted to Jonathan McKernan from Senator Warnock.

Question 1: If confirmed, your role at Treasury would be involved in any process of releasing the Government-Sponsored-Enterprises (GSE) from conservatorship. Congress placed the GSEs Fannie Mae and Freddie Mac into conservatorship in 2008[1] following the passage of the Housing and Economic Recovery Act of 2008.[2] Yes or no, should Congressional action be required for removing the GSEs from conservatorship?

If confirmed, I will comply with applicable law, including any legal requirements relating to any effort to modify or potentially even remove the GSEs from conservatorship, and I would look forward to supporting your office in evaluating legislative and other options relating to the GSEs and their conservatorships.

Question 2: Are there specific metrics or other determining factors that would influence your recommendation toward re-privatizing the GSEs?

Relevant factors that should be considered in assessing a proposal to modify or potentially even re-privatize the GSEs include avoiding adverse effects on the pricing or availability of mortgage credit, ensuring the safety and soundness of the GSEs, mitigating risk to financial stability, preserving access to the secondary market by lenders of all sizes and charter types, supporting access to mortgage credit by low- and moderate-income borrowers, and mitigating transition or other execution risk.

Question 3: Do you believe that the size and trajectory of our national debt poses serious threats to our financial stability?

Our long-term fiscal trajectory is unsustainable and, if continued, could someday pose risk to the economy, including the financial system.

Question 4: What warning signs are you watching to determine potential fiscal instability, particularly as it relates to the Treasury market?

If confirmed, I will pay close attention to the government's fiscal results, such as revenues, expenditures, and the resulting deficit. I will also monitor key developments in the Treasury market, including the results of Treasury auctions and activity in the secondary market.

Question 5: The Trump Administration has already taken steps to weaken bank capital standards and reduce enforcement of securities laws, while cutting staff and resources from our bank and financial regulators.

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[1] *History of Fannie Mae and Freddie Mac,* Federal Housing Finance Agency (Oct. 22, 2025), https://www.fhfa.gov/conservatorship/history.

[2] Housing and Economic Recovery Act of 2008, Pub. L. 110 – 289.

If confirmed, will cutting resources and staffing at financial regulators make it more difficult for you to create financial stability in your role at Treasury?

If confirmed, I will commit to monitoring for gaps in the financial regulatory framework that could pose risks to financial stability.

Question 6: In an April 2023 report detailing the failure of Signature Bank, the Federal Deposit Insurance Corporation (FDIC) highlighted staffing challenges as a contributing factor to why the bank eventually failed—including persistent staffing shortages at their New York office, with an average of 40 percent of positions being vacant of filled by temporary staff from 2020 until Signature Bank's failure in Spring of 2023.[3]

Do you agree with the conclusion by both the FDIC Chief Risk Officer and the FDIC Inspector General's conclusion that staff shortages and resource challenges contributed to Signature Bank's failure?

The unique staffing challenges confronted by the FDIC's New York office might have been one contributing factor to the supervisory failures in the lead up to Signature's failure.

Questions for the Record submitted to Jonathan McKernan from Senator Welch.

Question 1. In December of 2024, the FHFA established a 25 percent goal for low-income home purchases for the 2025-2027 cycle. These goals help ensure that low-income homebuyers who can afford monthly mortgage payments have fair access to credit. I understand that the Trump Administration, including the President, has voiced support for ending the federal government's conservatorship of Fannie Mae and Freddie Mac. I am concerned that premature privatization without consideration of the complex implications will disproportionately impact low-income home buyers.

Do you believe that hurried and deficient procedures to kicking Fannie Mae and Freddie Mac out of conservatorship can cause housing market instability particularly for low-income and rural homebuyers?

Any step to modify or potentially end the GSEs' conservatorship should be taken only after a careful and deliberative process to identify and assess the potential impacts.

What standards are necessary to end the conservatorship of Fannie Mae and Freddie Mac?

Relevant factors that should be considered in assessing any proposal to modify or potentially even end the GSEs' conservatorships should include avoiding adverse effects on the pricing or availability of mortgage credit, ensuring the safety and soundness of the GSEs, mitigating risk to financial stability, preserving access to the secondary market by lenders of all sizes and charter

[3] *FDIC's Supervision of Signature Bank*, Federal Deposit Insurance Corporation (Apr. 28, 2023), https://www.fdic.gov/news/press-releases/2023/pr23033a.pdf.

types, supporting access to mortgage credit by low- and moderate-income borrowers, and mitigating transition or other execution risk.

Question 2. Community Development Financial Institutions (CDFIs) offer valuable banking services to their communities, including small businesses that often struggle to secure financing, thereby paving the way for these businesses to grow into stable and profitable companies. I want to see more financial institutions in Vermont become CDFIs and get the needed support from the CDFI Fund.

Can you commit to helping more rural financial institutions becoming CDFIs?

If confirmed, I will commit to exploring opportunities to improve the CDFI program. There might be opportunities to enhance the role that CDFIs play in expanding access to credit by underserved borrowers in rural areas, and if confirmed, I will commit to advancing any related policies in compliance with applicable law.