

**TREASURY SECRETARY DESIGNEE STEVEN MNUCHIN
CONFIRMATION HEARING STATEMENT
JANUARY 19, 2017**

Embargoed until 10:00am

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 that 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 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 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 that 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 one billion dollar 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 as 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 dollars higher than the next best bid. We were willing to invest \$1.6B 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 \$1.6B 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, 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 that we inherited. We worked diligently to help hard working 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 that 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 hard-working 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 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 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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