

WASHINGTON REPORT

AUGUST 2020

Welcome to the latest PALs newsletter! Here you will find information from FHLBank Atlanta's Washington, D.C. team on current public policy issues and discussions occurring in our nation's capital.

INTRODUCTION

COVID-19 has impacted our daily lives since early spring, causing unemployment to reach previously unimagined levels and pushing our economy into recession. The pandemic, the weakening economy, and continued protests around the country will undoubtedly play on voters' minds when it comes to the November election. Congress has taken unprecedented action to help prop up the sagging economy, but the big question seems to be whether the COVID relief packages will provide enough stimulus for the economy to regain its footing in time to help Republicans at the ballot box. President Trump is down in the polls and control of the Senate appears to be up for grabs. Fewer than three months remain before Election Day, but that can be an eternity in today's political environment.

In this edition of the [Policy Action Leaders \(PALs\)](#) Washington Report, we will discuss the major issues we are facing and the ongoing actions being taken by our leaders in Washington, D.C. We will focus on the election trends and what we will be watching over the next several weeks and months. Also, don't miss the details on the **upcoming PALs members-only virtual town hall** where we will lead a discussion on the election trends and projected results, along with the political insights driving the headlines in D.C. and around the country.

Visit our [website](#) for more information on PALs and how you can join.

COVID-19 RESPONSE AND ECONOMIC RECOVERY MEASURES

Congress has passed a series of massive economic stimulus packages, injecting trillions of dollars into the economy. Negotiations continue between the House, Senate, and administration on a new pandemic relief package. These talks have continued for several weeks, sometimes changing on a daily or even hourly basis, but now all discussions seem to have ceased, with opposing sides completely deadlocked.

In May, the House passed a \$3 trillion package called the [Health and Economic Recovery Omnibus Emergency Solutions Act \(HEROES Act\)](#) but the price tag is considerably steeper than the \$1 trillion mark Republicans are aiming for with the next stimulus package. We expect a final number to fall somewhere in between. While the opposing parties may find agreement in the overall dollar amounts, agreement on the details of the plan are proving much more elusive. Federal unemployment benefits expired on July 31 and the Payroll Protection Program expired on August 8. If agreement on a package cannot be reached prior to the August recess, which seems likely at this point, the extension of these programs and other economic relief measures may have to wait until Congress returns in September. Conventional thinking suggests that the political risk of election year politics will drive the two parties to find a deal with measures providing further support for businesses and workers who remain unemployed due to COVID-19. However, 2020 has been anything but conventional thus far.

Senate Majority Leader Mitch McConnell (R-KY) recently said inclusion of liability protection for businesses, schools, hospitals, and others against claims stemming from COVID-19 related illnesses is a non-negotiable prerequisite for the next stimulus package, and that the bill should also include a payroll tax cut. Republican staff have further indicated that stimulus checks for certain individuals is a measure that they would likely support in a deal with Democrats.

While both parties have agreed publicly on many of the points noted above, and on support for state and local governments and extension of some unemployment benefits, finding agreement on the actual details of each issue is proving to be much more difficult. As the talks faltered last week, and the White House issued an executive order in lieu of action by Congress, it appears that any additional negotiations on the stimulus bill will be pushed to September, increasing the risk that it will be ensnared in the looming discussions on appropriations to fund the government.

SUPREME COURT RULING ON CFPB STRUCTURE

The Supreme Court recently decided on the constitutionality of the [Consumer Financial Protection Bureau \(CFPB\)](#). The [decision](#) held that the CFPB itself is constitutional but the legal provision restricting the president's ability to fire the director is unconstitutional on the grounds that it violates the separation of powers. The CFPB director is now removable by the president at will.

The decision could impact the future of the similarly structured [Federal Housing Finance Agency \(FHFA\)](#), the regulator for Fannie Mae, Freddie Mac, and the FHLBanks. As with the CFPB, the FHFA director is appointed to a five-year term and can only be removed for cause.

The high court has agreed to hear arguments in [Collins v. Mnuchin](#), a case brought by Fannie Mae and Freddie Mac shareholders who cite separation of powers in arguing that the structure of the FHFA is similarly unconstitutional. If the court sides with the plaintiffs in the case, a Biden victory in November could mean a leadership change at FHFA in the new administration, as it is expected at CFPB.

CANNABIS BANKING

The HEROES Act includes the legislative text from the [Secure and Fair Enforcement Banking Act](#), which provides some protection for financial institutions doing business with state legalized cannabis businesses. With opposition from key Republicans, this provision is not expected to make it into the final Senate package, and therefore, we do not believe it will become law as a part of the next stimulus package.

PRESIDENTIAL CAMPAIGN

The effects of COVID-19 are rendering 2020 as the strangest election of the modern era. President Trump held rallies over the summer in Tulsa, Okla., and Phoenix, and was heavily criticized based on the notion the rallies exacerbated the ongoing pandemic. This led the Trump campaign to halt future events until the pandemic is under control. Given the recent spike in cases in southern and western states, it may take several months for that to happen, and since the election is less than three months away, we may not see further large-scale events before Election Day.

With President Trump's propensity to make statements that garner negative press coverage, such as suggesting the election be delayed, and with his poll numbers continuing to decline, the Biden campaign seems eager to allow these trend to continue. The former vice president has held very few public events and some from his camp are now suggesting that the currently planned three presidential debates be cancelled or curtailed.

SENATE

At this point, many projections put the Republicans' control of the Senate into the toss-up category or even anticipate a narrow Democratic win. We will be watching the Senate closely as we come down the stretch. Republican control rests on their 53-47 majority, meaning if Biden wins the White House, Democrats would only need to pick up three seats to gain the majority. If Trump wins, Democrats would need to gain four seats to take the majority.

Republicans are expected to pick up a seat with a win in the Alabama race, meaning Democrats will need a net gain of four or five to take the majority. With races in Arizona and Colorado trending as pick-ups for the Democrats, this means they may only be two seats away from a 50/50 split. Those two seats could come with victories in North Carolina and Maine, where the races are close with Democratic candidates leading in recent polling. If the Republican incumbent holds on in either of those races, there are two other possible pick-up opportunities. While not on many early radars as potential upsets, the races in Montana and Iowa have proven closer than predicted with the recent polling trending toward the Democratic candidate.

HOUSE

In the House of Representatives all 435 members are up for reelection. Democrats gained 40 seats in 2018 to take control of the chamber. Republicans would need to flip 18 seats to regain the majority and are targeting the 31 Democrat-held seats in the districts that Trump won in 2016. These include seats in Iowa, Illinois, Minnesota, New Jersey, New York, Pennsylvania, and Virginia.

In the end, we expect the Democrats to retain control of the House and possibly increase their margin. This is largely due to the prevailing political winds and the notable struggles the president, and by extension the broader Republican Party, are facing with low approval ratings stemming in part from the COVID-19 response and the continuing economic fallout. In addition to the national perspective, we will keep a close watch on all the races in the Bank's footprint.



ELECTION UPDATE WEBINAR

To keep you up-to-date on the latest election trends, we will be holding a webinar exclusively for PALs members in late October. FHLBank Atlanta staff, along with invited guests, will review and discuss commentary from political and election experts regarding the trends, inside-the-beltway scoop, and predictions and implications for the election. This will be an opportunity for PALs members to engage in the discussion and have questions answered by the political experts and the FHLBank Atlanta hosts.

Please watch your email for further information on this event. If you received this message and you are interested in joining PALs, please visit our [website](#).



FEDERAL HOME LOAN BANK OF ATLANTA

1475 Peachtree Street, N.E. | Atlanta, GA 30309 | www.fhlbatl.com | 1.800.536.9650