



In classic Greek mythology, a golden apple of discord inscribed "For the fairest" was awarded to Aphrodite, beginning a chain of events that led to the Trojan War. GrayRobinson's newsletter reports on the most recent issues, individuals, and discourse deemed fairest in Washington.

July 10, 2020

House approves fix to CARES Act relief for nonprofits

Yesterday the House approved [S. 4209](#), the Protecting Nonprofits from Catastrophic Cash Flow Strain Act of 2020, sending the bill to the President for signature. The legislation, originally sponsored by Senator Tim Scott (R-SC), will make it easier for nonprofits to qualify for aid by resetting the Labor Department's requirement of 100% payment of unemployment contributions for furloughed staff members to 50%.

CFPB finalizes small-dollar lending rule, ratifies other rulemaking

This week the Consumer Financial Protection Bureau (CFPB) [published its final rule on small dollar lending](#), rescinding the mandatory underwriting provisions of the 2017 rule but preserving that rule's payments provisions. The final rule prohibits lenders from making more than two consecutive attempts to withdraw funds from a debtor's account without the debtor's permission. Lenders must provide written notice before making a first attempt to withdraw funds from a debtor's account, and before any further attempts that changed the date, amount, or channel of the payment. The CFPB refused a petition to exclude debit and prepaid cards from the final rule. Separately, the CFPB [ratified its previous regulatory actions](#) in light of the Supreme Court's ruling last week that the Bureau's governance structure is unconstitutional. CFPB Director Kathleen Kraninger said this ratification would ensure that the rules remain in effect.

FHFA extends mortgage origination flexibility for Fannie & Freddie

The Federal Housing Finance Agency (FHFA) [announced yesterday](#) that it is extending several loan origination flexibilities the agency had granted to Fannie Mae and Freddie Mac to provide support to borrowers during the COVID-19 pandemic. Until August 31, the FHFA will allow alternative appraisals on purchase and rate term refinancings; alternative income documentation and employment verification before loan closings; and expanded uses of power of attorney and remote online notarizations for loan closings. The flexibilities had been scheduled to expire on July 31.

Mnuchin encourages use of Main Street Lending Facility

The Federal Reserve Bank of Boston announced on Monday that the [Main Street Lending Facility](#) is now fully operational, providing funding for bank loans to small and mid-sized businesses that were financially sound before the pandemic. Secretary of the Treasury Steven Mnuchin issued a [statement encouraging businesses to apply](#) for bridge loans, and encouraging lenders to participate in the program.

Federal Reserve facilities have been effective despite relatively low usage

The overall health of the financial system has reduced the need for the Federal Reserve System's emergency lending facilities, but "the impact of the facilities has been large and sustained," said Daleep Singh, Executive Vice President of the Federal Reserve Bank of New York in [remarks on Wednesday](#). The emergency facilities have helped restore confidence in private sector borrowing and lending by providing backstops; the most popular has been the Paycheck Protection Program Lending Facility (PPPLF), whose use continues to rise. Singh said that the Fed would be reviewing its contracts with outside vendors that have been participating in the facilities' rollout, and that all contracts are eligible for re-bidding after 90 days.

Supreme Court will hear arguments on GSE net-worth sweeps

Before the Supreme Court left town yesterday, [they announced](#) that they will hear arguments in two cases challenging the 2012 agreement that sends most of Fannie Mae and Freddie Mac's profits to the Treasury Department. The government-sponsored enterprises have been in federal conservatorship since 2008, but have now paid \$115 billion more in dividends to Treasury than the cost of the bailout. GSE shareholders argued that the Federal Housing Finance Agency (FHFA), which entered into the 2012 agreement, is unconstitutionally structured, and thus could not legally make that agreement on the GSEs' behalf. The Court will hear arguments sometime after it returns in October.

House subcommittee hears testimony on additional paycheck protection

The House Financial Services Subcommittee on National Security, International Development, and Monetary Policy [held a hearing Tuesday](#) on [HR 6918](#), the Paycheck Recovery Act, introduced by Rep. Pramila Jayapal (D-WA). HR 6918 would create a direct assistance program for small businesses, to be administered by the Treasury and based on revenues lost + wages paid + 25% of total wages to cover operating expenses. Cato Institute economist Diego Zuluaga said that Congress should not be trying to support businesses that will never be able to recover, but instead should make it easier for businesses and workers to relocate in response to shifting demand. Future government aid should take the form of direct payments to Americans without regard to their employment status, he said. Sixth-grade teacher Lily Eskelsen Garcia, President of the National Education Association, said that the more critical need is support to state and local governments, where cuts to budgets have already forced layoffs and will make it impossible to provide the additional staffing, PPE and other health resources that will be needed to reopen schools in the fall.

Senate Democrats ask OCC to confirm banks' ability to offer mortgage relief

Senator Sherrod Brown (D-OH), Senator Amy Klobuchar (D-MN), and seven Democratic colleagues [wrote to Acting Comptroller of the Currency Brian Brooks this week](#) to ask him to clarify that state and local agencies can enforce agreements with national banks about treatment of mortgage holders. They asked Brooks what steps the OCC is taking to prevent an "explosion of foreclosures" in the months ahead, and asked him to confirm that banks' voluntary forbearance does not violate federal law. They also asked for a list of preemptions the OCC has made after consultation with the Consumer Financial Protection Bureau (CFPB), and explanations of the basis for these preemptions.

SEC roundtable finds little support for de-listing Chinese companies

The Securities and Exchange Commission hosted a day-long [virtual roundtable on emerging markets](#) yesterday, inviting market participants and experts to discuss how best to maximize opportunities while minimizing risks for investors in emerging markets, especially retail investors. (The roundtable webcast is archived online [here](#) and [here](#).) The discussion focused on China, which does not allow the Public Company Accounting Oversight Board (PCAOB) to inspect Chinese audit firms, and will not allow companies to provide work papers. The Senate has passed [legislation sponsored by Senators John Kennedy \(R-LA\) and Chris Van Hollen \(D-MD\)](#) that would allow US exchanges to de-list companies that do not comply with PCAOB

oversight requirements, but panelists were skeptical about the value of that penalty. De-listing those companies would not make them ineligible for inclusion in emerging market indices, some noted, but it would make even less information about them available to US investors.

Confirmations, Nominations, Departures, etc.

- Thomas Pahl has been named Deputy Director of the Consumer Financial Protection Bureau (CFPB), a promotion from the position of Policy Associate Director for Research, Markets, and Regulations, which Pahl has held since April 2018. He was previously Acting Director of the Federal Trade Commission's Bureau of Consumer Protection.

Next Week in Washington

The Senate remains in recess next week.

- **July 14 at 12:00 noon** House Committee on Homeland Security holds a hearing on "Reviewing Federal and State Pandemic Supply Preparedness and Response."
- **July 14 at 12:00 noon** House Financial Services Subcommittee on Investor Protection, Entrepreneurship and Capital Markets holds a hearing on "[Promoting Economic Recovery: Examining Capital Markets and Worker Protections in the COVID-19 Era.](#)"
- **July 15 at 1:00 p.m.** House Committee on Small Business holds a hearing on "[Long-Lasting Solutions for a Small Business Recovery.](#)"
- **July 16 at 9:00 a.m.** SEC Asset Management Advisory Committee [holds a virtual meeting.](#)
- **July 16 at 12:00 noon** House Financial Services Subcommittee on Oversight and Investigations holds a hearing on "[Protecting Homeowners During the Pandemic: Oversight of Mortgage Servicers' Implementation of the CARES Act.](#)"
- **July 16 at 1:00 p.m.** House Small Business Subcommittee on Innovation and Workforce Development holds a hearing on "[Putting America Back to Work: The Role of Workforce Development and Small Business Rehiring.](#)"

The Ellis Insight

Jim Ellis reports on political news

President

Florida: Many polls are currently being released, but the Trafalgar Group data draws special attention since the research organization was the only pollster to correctly predict Wisconsin and Pennsylvania at the end of the 2016 election cycle. The new Trafalgar Florida poll (6/29-7/2; 1,072 FL likely voters) again finds the race much closer than other pollsters. In this case, Trafalgar sees a dead tie between the two major party contenders, with both President Trump and former Vice President Joe Biden scoring 46% support among the surveyed respondents.

Pennsylvania: Again looking at a Trafalgar Group poll, this time of the important Pennsylvania electorate (6/29-7/2; 1,062 PA likely voters), the ballot test finds former VP Joe Biden leading President Trump, 48-43%, which is consistent with other current polling data. We can expect seeing regular polls coming from this state for the rest of the election cycle.

Senate

Alaska: Public Policy Polling surveyed the Alaska electorate (7/7-8; 1,081 AK voters via automated response device) and finds Sen. Dan Sullivan (R) to be leading his prospective Democratic opponent, surgeon Al Gross, by only a single-digit margin, 39-34 percent. Close polling in Alaska is not surprising because electoral history reveals that such is typically the case, and not always consistent with the final outcome.

Kansas: A newly formed organization called Plains PAC just launched what appears to be a \$3 million negative media buy against Senate Republican candidate Kris Kobach with a hard-hitting ad in a build-up to the August 4th primary election. Democratic strategists believe they have a chance to win what should be a safely Republican seat if Kobach, who lost the Governor's race in 2018, becomes the nominee and polling suggests they are correct. Western Kansas Rep. Roger Marshall (R-Great Bend) is the most viable candidate with an opportunity to deny Kobach the party nomination.

Maine: Last week, we reported on a Moore Information survey (6/20-24; 600 ME registered voter telephone interviews) that found Sen. Susan Collins (R) leading state House Speaker Sara Gideon (D-Freeport), 45-37%. Now, Public Policy Polling (7/2-3; 1,022 "voters" through interactive response device) posts Gideon to a 46-42% lead. While phone interviews tend to be more accurate than automated responses, the cumulative effect of the two polls provide support for prognosticators who project this race as a toss-up campaign.

Massachusetts: The Senate Democratic primary race between Massachusetts incumbent Ed Markey and Rep. Joe Kennedy III (D-Newton) is expected to be close at the polls and even appears to be down to the penny in the political money war. Both men are releasing their 2nd Quarter 2020 financial numbers, and each raised just over \$1.9 million during the period. They both have almost the same amount of cash-on-hand, too. Sen. Markey reports \$4.8 million in his campaign account versus Rep. Kennedy's \$4.7 million. This week, the incumbent also received some help from his climate change allies. The Senator has been a leader in environmental issues and causes for decades during his congressional service, and his work is being recognized. The Environment America Action Fund, whose supported independent expenditure PAC United for Massachusetts, announced they will spend over \$900,000 on a broadcast and digital ad campaign to promote Sen. Markey. The Massachusetts primary is September 1st.

New Jersey: Sen. Cory Booker was easily re-nominated for a second term in this week's New Jersey primary, capturing over 89% of the projected vote. Who he will face in November, however, remains a question mark. Former congressional candidate Hirsch Singh and pharmaceutical executive Rik Mehta are seesawing in counting that is taking days. Regardless of who wins the Republican primary, Sen. Booker is the prohibitive re-election favorite for the Fall campaign. As with many other states, the large number of mailed ballots means the tabulation period can be stretched for more than a week.

Tennessee: We're seeing a number of instances where polling conducted in the same relative time frame is producing differing results. Such is the case again in Tennessee. The open Senate race hasn't attracted much national attention largely because most analysts believe that former US Ambassador to Japan Bill Hagerty will easily win the Republican primary and the seat in November.

One poll, from the Tarrance Group (6/28-30; 651 TN GOP likely voters over half of whom have voted in the last four Republican primaries), supports such a conclusion. Tarrance

finds Mr. Hagerty holding a 46-29% Republican primary advantage over Nashville surgeon Manny Sethi

Victory Phones, which gained statewide credibility for conducting Gov. Bill Lee's polling in 2018, sees a different result, however. Their study (6/30-7/1; 800 likely Republican primary voters) foresees a much closer contest. While projecting Mr. Hagerty into the lead, it is only by two points, 33-31%, over Dr. Sethi. Tennessee is the only state in the country to hold its primary on a Thursday, and this year the nomination vote is scheduled for August 6th

House

AK-AL: The Alaska Public Policy Polling survey (7/7-8; 1,081 AK voters via automated response device) also produced a ballot test in the at-large House race between veteran Rep. Don Young (R-Ft. Yukon), the Dean of the House in seniority who was elected in a 1973 special election, and challenger Alyse Galvin, the 2018 Democratic nominee who fell seven percentage points short of unseating the Congressman, 53-46%.

The PPP poll actually finds Ms. Galvin running ahead 43-41% in the new campaign, but such a position is not altogether unusual. In the 2018 campaign, the last poll before the election projected Ms. Galvin to a slight one-point advantage.

AZ-6: Rep. David Schweikert (R-Fountain Hills/Scottsdale) represents a Republican suburban Phoenix district, but he is under investigation for allegedly misusing some of his government funds for political purposes. While the campaign here hasn't yet drawn much national attention, his likely Democratic opponent, Dr. Hiral Tipirneni, who ran in the 8th District special and general election during the last election cycle, has quietly raised well over \$2 million and is reporting more than \$1.6 million cash-on-hand. This race will become competitive and is an upset possibility.

ME-2: A new Survey USA poll for the Fair Vote organization, which supports Maine's controversial instant runoff Ranked Choice Voting system, finds the 2nd District Republican contest turning into a strong three-way battle.

According to S-USA (6/30; 7/6; 604 ME-2 likely Republican primary voters), former state Rep. Dale Crafts would lead realtor and ex-journalist Adrienne Bennett and former state Sen. Eric Brakey, 37-25-19%. Such a result would employ the Ranked Choice system to choose a winner once the last place candidate is eliminated and the new ranking occurs. We could once again this system produce a primary nominee next week who did not attract the most votes.

MT-AL: Democratic pollster Global Strategy Group, surveying for the Kathleen Williams campaign (6/24-28; 500 MT likely general election voters), finds both Ms. Williams (D) and State Auditor Matt Rosendale (R) in a dead heat tie at 47% apiece for Montana's at-large open congressional seat. This survey, however, disagrees with last week's University of Montana data (6/17-26; 517 MT registered voters) that posted Mr. Rosendale to a relatively strong 45-37% advantage.

New Jersey: The week's Garden State primary yielded few surprises in the House races, as all incumbents were headed to easy re-nomination victories in preliminary returns. Republicans David Richter, Tom Kean Jr., and Rosemary Becchi will face Democratic freshmen Andy Kim, Tom Malinowski, and Mikie Sherrill, respectively, in what should become competitive battles.

Party-switching Rep. Jeff Van Drew (R-Dennis Township/Atlantic City), who was elected in the 2nd District as a Democrat but later became a Republican, scored what looks to be an unofficial 81% of the vote in his first GOP primary. He will face Amy Kennedy, the wife of former US Rep. Patrick Kennedy (D-RI), in what will be another competitive general election.

NY-1: With absentee ballots finally being counted and reported in New York 16 days after the state's primary on June 23rd, one race has already changed from the early tabulated

votes. Last this week, 2018 Democratic nominee Perry Gershon, who held Rep. Lee Zeldin (R-Shirley) to a 51-47% re-election victory, conceded defeat in this year's Democratic primary. The surprise winner, by just over 600 votes, is college professor Nancy Goroff who will now advance into the general election. Rep. Zeldin is favored for re-election.

TX-13: Former White House physician and retired Navy Admiral Ronny Jackson (R), with President Trump's support, is expanding his lead over lobbyist and former congressional aide Josh Winegarner (R) according to a Fabrizio Lee & Associates survey (6/27-28; 400 TX-13 likely Republican runoff voters) for the Miles of Greatness Super PAC, a military support organization backing Dr. Jackson. According to the ballot test results, the Jackson lead over Winegarner has grown to 46-29%. The postponed Republican runoff is scheduled for next week on July 14th. The Republican primary winner becomes a prohibitive favorite for election in November.

TX-24: A pair of Super PACs announced support in the way of media ads for local school board member Candace Valenzuela who is opposing retired Air Force officer and 2018 state Agriculture Commissioner nominee Beth Olson. The End Citizens United and Latino Victory Fund organizations are supporting Ms. Valenzuela, while VoteVets announced an endorsement for Ms. Olson.

Fundraising is nearly equal, too. Ms. Valenzuela says she will report over \$465,000 raised for the 2nd quarter, while Ms. Olson will come in around \$438,000. The July 14th Democratic runoff winner faces former Irving Mayor Beth Van Duyne, who won the Republican primary outright back in March. Rep. Kenny Marchant (R-Coppell) is retiring after serving what will be eight terms at the end of the current congressional session.

UT-1: In another primary election that took a week to decide, former US Foreign Service officer Blake Moore has won the Republican primary to succeed the retiring Rep. Rob Bishop (R-Brigham City) in the state's northernmost congressional district. Mr. Moore looks to have scored an unofficial 31-29% win over Davis County Commissioner Bob Stevenson, a vote spread of 2,872 votes of approximately 126,000 votes cast. The Democrats may have a nominee as Shoshone Tribe chairman Daniel Parry appears to have logged a 454 vote win against party activist Jamie Cheek. The Democratic turnout was under 23,000 voters. Mr. Moore now becomes a virtual sure winner in November.

Virginia: The state Board of Elections, on a 2-1 vote, will allow both 5th District Republican convention winner Bob Good and 7th District convention candidate Nick Freitas ballot positions despite their missing the candidate filing deadline. The 5th District now officially features Mr. Good, who defeated freshman Rep. Denver Riggleman (R-Manassas) for re-nomination in the district convention, against Charlottesville physician Cameron Webb, who won the Democratic primary. Mr. Freitas will now be able to compete in the 7th District nominating convention scheduled for July 18th. The winner of that contest faces freshman Rep. Abigail Spanberger (D-Glen Allen).

Governor

Utah: The close Republican nomination contest between Lt. Gov. Spencer Cox and former Governor and ex-US Ambassador Jon Huntsman has ended with the former man scoring a close 7,330 vote victory, a 36.4 – 34.9 percentage margin of well over 520,000 votes cast. Mr. Cox now faces Democratic nominee Chris Peterson in the open general election, with the Lt. Governor being an overwhelming favorite to win the November vote. The 520,000+ votes is a turnout increase of 127% over the 2016 Republican primary voter participation figure.

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