Banking and Finance Law Daily Wrap Up, FEDERAL RESERVE SYSTEM—Warren questions Fed nominee Warsh on decisions made during 2008 financial crisis, (Mar. 27, 2026)

Banking and Finance Law Daily Wrap Up

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The Senator requested answers from Warsh about whether he learned anything from his tenure bailing out the big banks as Americans lost their jobs and their homes.

In a letter sent to Federal Reserve Chair Nominee Kevin Warsh, Sen. Elizabeth Warren (D-Mass.) questioned Warsh's qualifications to be a responsible chairman of the Federal Reserve Board, citing a history of favoring the interests of Wall Street and "gross misjudgments of systemic risk" during his tenure as a Fed governor from 2006 to 2011.

"As Fed Chair, you will be responsible for directing economy-altering policies that have serious consequences for American workers and communities," Warren wrote in the Mar. 26, 2026, letter. "However, your track record leading up to, during, and after the 2008 financial crisis raises significant concerns about your ability to do so."

Rather than implementing policies to improve the lives of the American public, Warren wrote, "you ignored the obviously excessive risk-taking on Wall Street; worked tirelessly to bail out large financial institutions after their bets blew up the economy; and advocated for policies that would have further harmed the millions of Americans who lost their jobs, were thrown out their homes, and saw their life savings evaporate." The Senator continued, "your record as a Governor should disqualify you from a promotion."

Questions about 2008 crisis. The Senator asked Warsh to respond to a series of questions by Apr. 2, 2026, on lessons learned during his tenure as a Fed Governor, especially actions he took before and during the 2008 financial crisis and subsequent Great Recession. Warren noted that Warsh dismissed early signs of emerging risks in the derivative and subprime markets, and asked Warsh, "If you are confirmed, will you heed early warning signs and address emerging risks before they become systemic?"

The Senator's questions also focused on Warsh's role in the "Too-Big-to-Fail" firm designations and decisions to bail out Wall Street institutions during the financial crisis, at the expense of easing home foreclosures. "After working to bail out Wall Street, you advocated for jacking up interest rates for working families and small businesses, further imperiling an ailing economy," she stated. "Did you ever advocate for direct support for struggling families during this period?" the Senator asked. In hindsight, she continued, are there any parts of your participation in the crisis response that you would change, and, if Too-Big-To-Fail firms still exist, "what steps would you take to eliminate this problem once and for all?"

Misjudged inflation. She also questioned whether Warsh would support monetary policies that prioritize financial stability, consumer protection, and equitable economic growth. Warren questioned Warsh's change of mind on inflation policy, noting that he favors interest rate cuts now when inflation is at 2.8 percent, but was against rate cuts when inflation averaged 1.8 percent during his tenure as a Fed governor.

In 2009 and 2010, as the economy hemorrhaged jobs, Warren wrote that Warsh "appeared to have prioritized 'taming' already low inflation over addressing sky-high unemployment." The unemployment rate was 9.8 percent; the core inflation rate was below 1 percent. Your monetary policy record shows a repeated failure to accurately assess the impact of inflation on the American economy," she wrote.

Deregulation agenda. The Senator criticized Warsh's stance on regulatory policies; easing bank capital and liquidity rules, stress testing, supervisory oversight, changes to the Community Reinvestment Act, and overall

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support for deregulation of the banking industry. Warren highlighted the rollback of the enhanced supplementary leverage ratio, which she labeled a core post-2008 safeguard, to prevent banks from incurring excessive debt. She asked Warsh to explain whether easing the enhanced supplementary leverage ratio requirements and other capital requirements would increase or decrease the likelihood of bank failures.

Bank mergers. The Senator also questioned Warsh on the Trump administration's support for bank consolidations, noting that the Fed and other bank regulators have shown a willingness to rubber-stamp anticompetitive mergers that raise costs for consumers and risk the stability of our financial system. She questioned Warsh's views on whether increased mergers have compromised financial stability and competition, and whether consumers have benefited from consolidations over the past four decades.

Weaponization of Justice Department. Warren had already called on Mr. Warsh to respond to questions on whether he agreed with President Trump's weaponization of the Department of Justice to launch witch hunts against Fed Chair Powell and Governor Cook. She asked Warsh to explain the extent of any interactions or relationship he had with Jeffrey Epstein, and whether President Trump demanded a loyalty pledge before nominating him to be Fed Chair.

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