

Congress of the United States

Washington, DC 20515

November 20, 2025

The Honorable Scott Bessent
Secretary of the Treasury and Chair, Financial Stability Oversight Council
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW
Washington, DC 20220

Dear Secretary Bessent:

We write to urge the Financial Stability Oversight Council (FSOC) to convene a working group of financial, technology, and economic experts to evaluate the financial system's sensitivity to a rapid decline in valuations of artificial intelligence (AI)-related assets and infrastructure. As you know, the Dodd-Frank Act charged the FSOC with a wide range of duties to help improve collaboration between financial regulatory agencies and address potential risks to the stability of the U.S. financial system. The FSOC is meant to "bring[] together the expertise of federal and state financial regulators to identify and assess emerging threats to U.S. financial stability."¹ We ask that FSOC convene this working group and provide a briefing on the findings of the working group and any recommended near-term actions or contingency plans within 90 days, and, to the extent possible, include relevant findings in FSOC's 2025 Annual Report.²

Over the past two years, private and corporate investment tied to artificial intelligence has expanded at a historic pace. These investments – ranging from semiconductor purchases and data-center construction to vendor financing, private funding, and bespoke financial arrangements³ – have concentrated capital in a small set of companies with complex contractual structures. If AI valuations decline sharply, hidden leverage, circular financing⁴, and off-balance-sheet commitments could transmit stress across financial markets and nonbank counterparties. Recent reporting and industry forecasts suggest aggregate AI infrastructure spending and related financing could reach into the trillions over the coming years, raising concern about potential systemic impacts.⁵

¹ See, About FSOC, available <https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/fsoc/about-fsoc>.

² "Annual Reports." n.d. U.S. Department of the Treasury. <https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/fsoc/studies-and-reports/annual-reports>.

³ Frisch, Ian. 2025. "Debt Has Entered the A.I. Boom." The New York Times, November 8, 2025. <https://www.nytimes.com/2025/11/08/business/dealbook/debt-has-entered-the-ai-boom.html>.

⁴ Jonathan Weil. 2025. "Is the Flurry of Circular AI Deals a Win-Win -- or Sign of a Bubble?" The Wall Street Journal. October 22, 2025. https://www.wsj.com/tech/ai/is-the-flurry-of-circular-ai-deals-a-win-win-or-sign-of-a-bubble-8a2d70c5?gaa_at=eafs&gaa_n=AWetsqdOZO3WS30nnfTlgVvnXpGc9QrUt3e3IpOIAQG8UCM3IGqzZOOQYIRsTWbEw34%3D&gaa_ts=691611fc&gaa_sig=NXNb80Muw8d0tIr9DhU0HSvIhHOEkoTRNGG6F6-GkvRrTzmdKwE79I_Fhc1yFUXcnzBqpncNOpYE6jN04TfMQ%3D%3D.

⁵ Noffsinger, Jesse, Mark Patel, and Pankaj Sachdeva. 2025. "The Cost of Compute: A \$7 Trillion Dollar Race to Scale Data Centers." McKinsey & Company. April 28, 2025. <https://www.mckinsey.com/industries/technology-media-and-telecommunications/our-insights/the-cost-of-compute-a-7-trillion-dollar-race-to-scale-data-centers>.

Specific risk channels reportedly include the concentration of market valuations and investor exposures among a small number of dominant hardware and cloud providers, whose rapid capitalization has heightened sensitivity to a downturn in related asset valuations.⁶ In addition, the use of circular or vendor financing arrangements and off-balance sheet commitments⁷ may obscure true market demand and increase leverage throughout the financial system.⁸ Complex financial structures, long-dated lease or purchase commitments by large public companies and asset managers for AI-related assets, even where the assets may generate less-than-expected revenue,⁹ securitization practices, take-or-pay compute contracts, and revenue-sharing agreements, interlink technology firms, private funds, and financial institutions in ways that could contribute to contagion during times of stress.¹⁰ The sector's expansion also entails significant real estate and municipal exposures tied to data center construction (and potential over-construction) and related infrastructure, which may implicate local governments and bond markets.¹¹

Technical considerations drive much of the uncertainty in AI asset valuations, including:

- **Rapid innovation in AI hardware** may shorten asset lifespans and lead to depreciation of the current generation of AI infrastructure, which could suffer from cost-effective competition both from next-generation devices and from disruptive new technologies that prove cost-effective than running existing equipment.¹² A Princeton-CITP blog notes that companies may be depreciating hardware over 5-6 years even though realistic useful lives may be 1-3 years.¹³
- **An imbalance between training and inference investments is emerging**, as first generation investments optimized for training large language models (LLMs) may struggle to capture the future economic value of the inference workloads of smaller models.¹⁴

⁶ Sonnenfeld, Jeffrey A., and Stephen Henriques. 2025. "This Is How the AI Bubble Bursts." Yale Insights. October 8, 2025. <https://insights.som.yale.edu/insights/this-is-how-the-ai-bubble-bursts>.

⁷ Monchau, Charles-Henry. 2025. "Meta and Musk Join Wave of AI Off-Balance-Sheet Financing Frenzy." Investing.com. November 10, 2025. <https://www.investing.com/analysis/meta-and-musk-join-wave-of-ai-offbalancesheet-financing-frenzy-200669877>.

⁸ Lebowitz, Michael. 2025. "Nvidia Deals: Round Tripping or Vendor Financing?" Real Investment Advice. November 5, 2025. <https://realinvestmentadvice.com/resources/blog/nvidia-deals-round-tripping-or-vendor-financing>.

⁹ See, WSJ, "Wall Street Blows Past Bubble Worries to Supercharge AI Spending Frenzy," Nov 16, 2025, available at https://www.wsj.com/finance/investing/wall-street-ai-spending-bubble-810d270e?mod=hp_lead_pos7

¹⁰ Kinder, Tabby. 2024. "Wall Street Frenzy Creates \$11bn Debt Market for AI Groups Buying Nvidia Chips." Financial Times. Financial Times. November 4, 2024. <https://www.ft.com/content/41bfac88-4d1e-4f25-bc60-75bf557f1f21>.

¹¹ Close, Dan, and Margot A Kleinman. 2025. "Powering Growth: Data Centers Impact Muni Issuers' Risk and Reward." Nuveen. April 9, 2025. <https://www.nuveen.com/en-us/insights/municipal-bond-investing/data-centers-impact-muni-issuers-risk-and-reward>.

¹² elongated_musk. 2025. "GPUs as Collateral — Chip Based ABS." Medium. May 14, 2025. https://medium.com/@Elongated_musk/gpus-as-collateral-chip-based-abs-acf55ac3f135.

¹³ Mihir Kshirsagar. 2025. "Lifespan of AI Chips: The \$300 Billion Question - CITP Blog." CITP Blog. October 15, 2025. <https://blog.citp.princeton.edu/2025/10/15/lifespan-of-ai-chips-the-300-billion-question/>.

¹⁴ PYMNTS. 2025. "AI Model Training vs Inference: Companies Face Surprise AI Usage Bills | PYMNTS.com." PYMNTS.com. August 18, 2025. <https://www.pymnts.com/artificial-intelligence-2/2025/ai-model-training-vs-inference-companies-face-surprise-ai-usage-bills/>.

- **Inefficient deployment of Edge vs. Cloud AI infrastructure may exist.** Current investments focus on centralized cloud AI, whereas the economic and efficiency potential may be captured by personalized and edge devices.
- **Disruptive algorithm improvements** may alter the balance between raw computational power, data transport, and data storage, resulting in earlier hardware obsolescence.¹⁵ This dynamic raises the risk of stranded assets and overinvestment in specific infrastructure types.
- **Economic model inconsistencies** generate uncertainty about the long-term value proposition for AI, which often assumes both a rapid AI displacement of knowledge-based labor, and a stable market price for that labor. These assumptions may be contradictory and undermine the expected return on AI investments.
- **Supply chain bottlenecks** for chips, electricity production, and data center energy demands may put unanticipated pressure on current AI investments and the municipalities that support them.¹⁶

Given the scale, complexity, and concentration of AI-related investment in recent years – and the potential for hidden risks that could affect the financial system in the event of a downturn for the sector – FSOC should act now to map exposures, close data gaps, and determine whether action is needed to make the U.S. economy more resilient in the event of an economic downturn. Thank you for your attention to this matter. We look forward to seeing FSOC’s analysis of the above issues. If you have any questions regarding this request, please contact Cody Hollerich in the Office of Congressman Bill Foster at cody.hollerich2@mail.house.gov.

Sincerely,



Bill Foster
Member of Congress
Ranking Member,
Subcommittee on Financial
Institutions



Brad Sherman
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Ranking Member,
Subcommittee on Capital
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¹⁵ Gundlach, Hans, Jayson Lynch, and Neil Thompson. 2025. “Meek Models Shall Inherit the Earth.” ArXiv.org. 2025. <https://arxiv.org/abs/2507.07931>.

¹⁶ IEA. 2025. “Energy Demand from AI – Energy and AI – Analysis - IEA.” IEA. 2025. <https://www.iea.org/reports/energy-and-ai/energy-demand-from-ai>.



Stephen F. Lynch
Member of Congress
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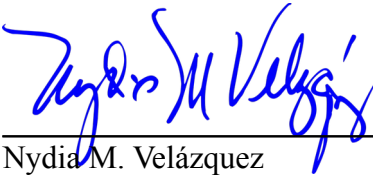
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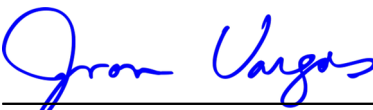
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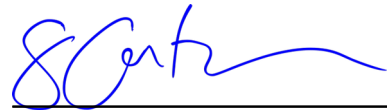
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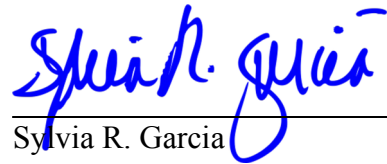
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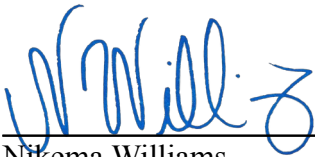
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CC:

The Honorable Jerome Powell, Chair, Board of Governors of the Federal Reserve System
The Honorable Jonathan V. Gould, Comptroller, Office of the Comptroller of the Currency
The Honorable Russell T. Vought, Acting Director, Consumer Financial Protection Bureau
The Honorable Paul S. Atkins, Chair, Securities and Exchange Commission
The Honorable Travis Hill, Acting Chair, Federal Deposit Insurance Corporation
The Honorable Caroline D. Pham, Acting Chair, Commodity Futures Trading Commission
The Honorable William J. Pulte, Director, Federal Housing Finance Agency
The Honorable Kyle S. Hauptman, Chair, National Credit Union Administration
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