



FedFin Daily Briefing

Friday, October 16, 2020

FSB Lowers the LIBOR Boom

Continuing its efforts to propel LIBOR transition, the FSB today [issued a roadmap](#) of steps which financial and nonfinancial institutions and agencies should take to ensure that new benchmarks are fully operational ahead of the official end of LIBOR at year-end 2021. The global roadmap is to replace transition schedules of industry working groups and national regulators, laying out firm due dates national authorities are to implement wherever possible. In the U.S., this will be only with regard to regulated financial institutions given the absence of broader statutory or regulatory standards for other entities.

Among the new deadlines, firms are told to be able to issue non LIBOR-linked loans and to handle derivatives contracts no later than the middle of next year. The roadmap also unequivocally says that LIBOR will be no more after the end of next year even though many entities continue to expect at least some variations on it to continue for credit-linked instruments.

COVID Subcommittee: Treasury/SBA, Not Banks, to Blame for PPP-Loan Patterns

The Select Subcommittee on the Coronavirus Crisis [today](#) issued a staff report concluding that Treasury and SBA encouraged big banks to provide loans to wealthy, existing clients rather than to struggling small businesses in underserved communities. Minority- and women-owned businesses are thus said to be disproportionately excluded from the PPP. Although the Committee's initial inquiry looked at big banks as the source of what it believes was this discriminatory result, the final report principally blames Treasury and the SBA. It recommends that any additional extension of the PPP be accompanied by clear and detailed guidance to enable lenders to prioritize underserved markets, federal investments in CDFIs and MDIs to ensure they can handle PPP loan demand, and a demographic questionnaire on the PPP application form.

Specifically, Treasury is found to have privately told lenders to engage with their existing customers when issuing PPP loans. Although banks recognized that this increased disparate impact, many nonetheless followed Treasury's direction. SBA and Treasury also failed to issue meaningful guidance emphasizing the need to prioritize underserved markets, with the only message to this effect being a tweet from SBA; lenders indicated this had no impact on the program. Several large banks were also found to have created separate, faster loan processes for larger commercial clients.

COVID Commission: MLF Gets a Pass, SMCCF Should Stop

Following what were reportedly significant and partisan disagreements, the Congressional Oversight Commission [today](#) released its report on the Fed's Municipal Liquidity Facility (MLF). Noting that the MLF has so far supported only two issuers, the report takes no position on what should be done given Sen. Toomey's (R-PA) view that the MLF should end and Democrats' strongly-held view that it should

be expanded. However, the Commission was able to agree on the Secondary-Market Corporate Credit Facility (SMCCF), agreeing that it should be terminated because corporate-bond markets have fully recovered. We do not expect the Fed to take this action due to its concern about underlying corporate-bond market fragility and future financial-stability concerns.

Recent Files Available for Downloading

The following reports and analyses have been sent to retainer clients recently. Copies are also available to retainer clients on the Archives section of Federal Financial Analytics' website: www.fedfin.com or clients may obtain the reports/analyses by e-mailing requests@fedfin.com giving the requested item name, firm, and e-mail address. To learn more about GSE Activity Reports, click: http://www.fedfin.com/index.php?option=com_content&view=article&id=18&Itemid=18

- **[GSE-101520](#)**: Although direct mortgage discrimination based on race and ethnicity has abated in recent years, a new [study](#) from the Federal Reserve Bank of Boston shows a striking difference in prepayment rates due to refinancing-speed differences directly attributable to race and ethnicity after controlling for an array of well-accepted underwriting risks.
- **[CRA30](#)**: Following opposition to the OCC's CRA rewrite, the FRB has proposed an initial construct that takes some elements of the OCC's approach and adds further and in some cases different provisions to craft what the Fed hopes will become an inter-agency CRA construct in 2021.
- **[BIGTECH](#)**: Last week, the House Judiciary Antitrust Subcommittee released a lengthy, high-impact Democratic [report](#) calling for structural changes to the nation's biggest tech-platform companies.
- **[GSE-100820](#)**: As will soon be detailed in our in-depth report, the Federal Reserve's long-awaited [CRA proposal](#) is a comprehensive rewrite that, while preliminary, would dramatically change large bank community-focused lending and investing.
- **[CORPGOV31](#)**: In this report, we analyze the strategic implications of enforcement actions against Citibank issued late yesterday by the [Fed](#) and [OCC](#).
- **[CAPITAL226](#)**: In conjunction with numerous changes to its supervisory stress test (CCAR) for the largest U.S. banking organizations in response to COVID, the Federal Reserve is seeking comment on structural changes to current capital-planning requirements.
- **[GSE-100120](#)**: A troubling new IMF staff paper looks at U.S. housing policy since COVID to uncover some worrisome aggregate and distributional effects.
- **[CRYPTO15](#)**: Continuing Acting Comptroller Brooks' efforts to enhance innovation at national banks and federal savings associations, the agency has now authorized these institutions to hold reserves associated with certain stablecoin offerings.

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- **[GSE-092820](#)**: Following its [morning meeting](#), FSOC late Friday released the staff [statement](#) expressing its near-term decision on systemic risk in the secondary mortgage market.
- **[AML132](#)**: FinCEN is beginning a process that, while apparently not revising or eliminating any existing anti-money laundering (AML) requirements, would add an over-arching principle that AML programs be efficient, “reasonably-designed,” and capable of providing high-quality information to law enforcement and other government entities.
- **[COVID15](#)**: HFSC’s second CARES Act-required hearing with Treasury Secretary Mnuchin and FRB Chair Powell continued to stress the theme that has become apparent ever since negotiations on a Phase IV relief bill stalled: Democrats primarily want additional direct fiscal support and Republicans are pushing for adjustments to existing relief programs funded by unused 13(3) Treasury backstops.
- **[GSE-092220](#)**: As usual, FHFA’s [new strategic plan](#) is more rhetorical than real. Still, it has a noteworthy emphasis on ending the conservatorship, promulgating new standards, and enhancing inclusion not just at the GSEs and within FHFA, but also in credit access.
- **[CRA29](#)**: Emphasizing its new focus on racial equity ahead of several Congressional hearings this week, the Federal Reserve Board today unanimously [approved a long-awaited ANPR](#) revising its CRA regulations.
- **[GSE-092120](#)**: Late last week, the [Federal Reserve Bank of New York](#) announced that the Fed bought almost \$56 billion in agency MBS over the past two weeks.
- **[GSE-091720](#)**: [As anticipated](#), today’s marathon HFSC hearing with FHFA Director Calabria covered a wide-range of issues we will shortly analyze in detail due to the policy and strategic importance of several exchanges.
- **[FAIRLEND8](#)**: HUD has largely finalized a controversial fair-housing rule as proposed, with the new standards for adjudicating fair-housing disputes giving defendants numerous additional protections.
- **[GSE-091020](#)**: As we [noted yesterday in our in-depth analysis](#), a CFTC subcommittee has issued a landmark [report](#) laying out an array of climate-change risks it urges policy-makers to prioritize to prevent systemic and sector risks.
- **[COVID14](#)**: Today’s Senate Banking hearing on the status of emergency Fed facilities showed even more clearly the dividing lines between Democrats and Republicans on changes to the Main Street Lending program than the CARES Act Congressional Oversight Commission’s [recent hearing](#).
- **[GREEN4](#)**: In this report, we analyze an influential and possibly even game-changing [paper](#) released today by the CFTC’s Climate-Related Market Risk Subcommittee.
- **[GSE-090320](#)**: As noted in our three summaries of key FHFA comment letters, FHFA was not

exactly overwhelmed by heartfelt praise for its GSE capital rule.

- [COVID13.pdf](#): As anticipated, today's House Select Subcommittee on the Coronavirus Crisis hearing with Treasury Secretary Mnuchin reflected contentious negotiations over a phase four rescue package.
- [GSE-090120](#): In this analysis, we continue our assessment of comment letters to FHFA on the [capital proposal](#).