



Federal Financial Analytics, Inc.

THE EQUALITY + EQUITY EQUATION FOR FINANCIAL REGULATION

In only two weeks, President Biden has transformed the federal rulemaking construct. Although most federal financial agencies are independent, all will adhere in appearance and, in many cases, also in substance to this new edict. Much will change, and fast.

The analytics below are based on in-depth reports provided to FedFin clients.

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President Biden issued an unprecedented number of sweeping executive orders (EOs) immediately after inauguration. Given all of the emergencies confronting him, one might have thought the White House would defer regulatory policy. However, the campaign focus on economic equality and racial equity was no idle promise – Mr. Biden’s orders included one [recrafting](#) the federal construct into one focused at least as much on the public good as on regulatory burden and another sweeping [racial-equity](#) mandate. Federal financial standards will never be the same.

Recent announcements do more than hint at the scope of this regulatory paradigm shift. President Biden directly targeted [HUD’s controversial rule](#) giving algorithmic underwriting a huge break from potential disparate-impact liability. HUD Secretary-nominee Fudge [told](#) the Senate Banking Committee that the rule is going to be reversed as fast as possible, and that’s just a start. The Acting CFPB director also promised to revive the agencies’ far-reaching [approach to anti-discrimination](#), highlighting one potential case: banks’ decision initially to make PPP loans only to existing customers – as a near-term enforcement target.

However, even more is in store, including:

- unforeseen opportunities to rewrite rules to advance [equality and equity](#) and, at the same time, innovate;
- a tough review of risk-based pricing, starting with the [GSEs’ LLPAs](#) and moving on to a wide array of bank fees and rates to identify demographic patterns and, where found, punish them;
- strong pressure on the Fed to accelerate [faster payments](#) and its CBDC [assessment](#);
- the anticipated [rewrite of CRA rules](#) and, less frequently discussed, ways to expand these bank-only standards to nonbanks without the need for new law;
- a new FSOC systemic criterion built on Dodd-Frank’s demand that systemic [standards consider](#) under-served households and communities; and

- heavy Congressional pressure on the Fed to assume a new, “racial-equity” [mandate](#). We doubt this legislation will be enacted, but are certain that demands for it will put the Fed under pressure as never before in its monetary-policy, emergency liquidity, and regulatory activities.

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