



FedFin Daily Briefing

Thursday, April 1, 2021

Progressives Push Fed on Climate Risk

A group of twenty-five progressive House Democrats led by Reps. Jones (D-NY) and Tlaib (D-MI) today sent [a letter](#) to Chairman Powell calling on the Fed to incorporate climate risk into its monetary policy and criticizing its “limited action” on climate issues. We do not expect the FRB to change its cautious approach on climate risk in response to this letter, which epitomizes the tightrope the central bank must walk between Republicans who argue that climate risk is outside the Fed’s mandate and progressives who want immediate action. This letter calls on the Fed to incorporate climate risk into stress tests, adjust capital requirements to reflect climate risk, exclude fossil fuel assets from its asset purchase programs, and support sustainable investment.

FSB: Although GSIBs Not TBTF, More Resolution Reform Needed

The FSB today published the final version of its consultative report assessing whether large banks remain too big to fail ([see Client Report TBTF23](#)). The FSB now concludes that, as suggested, market discipline has largely been restored. Bank performance under COVID stress also affirms sector resilience, with tough capital rules found to have no adverse social-welfare or market impact. Comments, including [one from Karen Petrou](#), countered that the FSB’s analysis of social-welfare excluded not only the nonlinear impact of capital and market-structure changes, but also broad economic-inequality consequences. Despite its findings in favor of post-crisis global standards, the FSB continues to call for full implementation of resolution reform to prevent taxpayer rescue, more resolution transparency especially with regard to TLAC, and greater scrutiny of banks large enough to be systemic within home or host jurisdictions that are not also GSIBs. The final report also reiterates findings that bolster ongoing FSB work on NBFIs.

FinCEN Begins Beneficial-Ownership Overhaul

Responding to industry demands for fast action, FinCEN [today](#) took a hesitant first step towards implementing the beneficial-ownership disclosures required by law late last year ([see FSM Report AML133](#)), releasing an ANPR seeking comment on all aspects of the new system. FinCEN also requests comments addressing 48 questions covering definitions, reporting, identifiers, security, and costs. FinCEN also seeks comments on how to provide beneficial ownership information to financial institutions with customer due diligence obligations and on the extent to which account-opening applicant information acquired via customer due diligence could be shared. Comment is due May 5; an in-depth FedFin report is forthcoming.

CFPB Sends Servicers a Loud Warning Shot

Sending a warning ahead of forbearance’s end-date, the CFPB [today](#) made clear to mortgage servicers it expects servicers to dedicate “sufficient” resources to assist borrowers who remain in need of help. The Bureau will closely monitor how servicers engage borrowers, respond to their requests, and process loss-mitigation applications, taking into account a servicer’s overall effectiveness in helping borrowers when considering whether to address compliance issues. Servicer flexibility provided in 2020 will be afforded only for servicers who meet the Bureau’s borrower-protection expectations. The CFPB will pay particular attention to whether servicers are proactive in contacting borrowers, providing them with all necessary information, ensuring those with limited English proficiency are assisted, evaluating borrower income in

accordance with ECOA, acting promptly, and preventing avoidable foreclosures. The statement is effective upon *Federal Register* publication. Comment is not requested.

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 info@fedfin.com giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- **[HEDGE59](#)**: The stunning collapse of the leveraged family office, Archegos, and its impact on the financial system has renewed calls for an array of regulatory initiatives.
- **[REFORM204](#)**: Following yesterday's HFSC session ([see Client Report REFORM203](#)), Secretary Yellen and Chairman Powell today faced Senate Banking and, as before, a raft of questions with little to do with the hearing's ostensible focus on CARES Act programs.
- **[REFORM203](#)**: At today's HFSC hearing on pandemic-relief programs, Members asked also about key financial-policy questions.
- **[GSE-032321](#)**: Last week, [we analyzed](#) a Federal Reserve study showing that unemployment is still inexorably linked to mortgage-default risk.
- **[GSE-032221](#)**: As [we predicted](#), federal banking agencies didn't back down: the [SLR exemption](#) for central-bank reserves and Treasuries is no more as of April 1.
- **[GREEN7](#)**: Today's Senate Banking Committee hearing on climate risk made it clear that the partisan divide evident earlier this week on housing ([see Client Report MORTGAGE119](#)) and much else extends to what financial regulators should do about climate risk.
- **[GREEN6](#)**: Reflecting views of the Biden Administration and those of its nominee to chair the SEC, Acting Chair Allison Herren Lee is requesting public views ahead of more formal proposals revising the climate-risk disclosures to be required of publicly registered companies.
- **[GSE-031721](#)**: As our in-depth report makes clear, the Senate Banking (and Housing!) Committee's hearing yesterday showed the wide partisan chasm between what Democrats and Republicans want of the GSEs.
- **[MORTGAGE119](#)**: Reflecting Chairman Brown's (D-OH) prioritization of the "housing" jurisdiction under Senate Banking, the panel's hearing today addressed not only GSE reform, but a sweeping range of rental and affordable-housing considerations in concert with lending discrimination and housing finance.
- **[UDAP7](#)**: Continuing the quick reversal of numerous Trump-era policies, the CFPB has ended a controversial policy statement providing consumer-finance companies with considerable protection from assertions of abusive acts or practices.
- **[GSE-031621](#)**: A new [FEDS Note](#) unpacks the unprecedented patterns of mortgage default risk during the pandemic to find that unemployment will tell the default tale.

- **[REFORM202](#)**: At a wide-ranging hearing, HFSC today launched its inquiry into racial equity in the financial system. Democrats offered a sweeping array of solutions, with witnesses alleging discrimination in lending and the failure of the banking system for people of color.
- **[GSE-031021](#)**: As previously [noted](#), the CFPB has decided to restore the DTI-based QM along with the patch without withdrawing its price-based QM or the seasoning rule, essentially allowing mortgage lenders to do pretty much anything and sell as much of their volume as Fannie and Freddie will bear.
- **[INVESTRO16](#)**: While Senate Banking's GameStop hearing today continued many of the partisan battles fought when HFSC held its [first hearing](#) on the matter, at least one area of consensus emerged today: the need to decrease settlement times.
- **[REFORM201](#)**: Although today's Senate Banking hearing on Wall Street's role was poorly attended, it nonetheless captures the theme Chairman Brown (D-OH) intends to guide his work this Congressional session: "Wall Street" incentives adversely affect equity, equality, economic growth, and social welfare and thus require structural, sweeping reform.
- **[INVESTOR15](#)**: The Senate Banking Committee today took up two of the more contentious nominations so far to come its way: those for Gary Gensler to chair the Securities and Exchange Commission and for Rohit Chopra to head the CFPB.