



# *FedFin Daily Briefing*

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Wednesday, April 21, 2021

## **GOP Sends Up More Climate-Risk Flares**

Reiterating and strengthening comments made at recent hearings ([see for example Client Report GREEN7](#)), Congressional Republicans today strongly objected to what they characterize as calls from the Administration to politicize bank lending. This has not daunted Secretary Yellen, whose new policy will be analyzed in a FedFin report later this afternoon.

Senate Banking Ranking Member Toomey (R-PA) and all committee Republicans today [called on](#) Special Envoy Kerry to cease demanding that banks target lending to reduce climate risks. The letter also strongly opposes an anticipated Presidential order mandating new climate-risk disclosures. All of these efforts are, they say, meant to discourage lawful businesses not to reduce risk. The [House letter](#) was sent by 44 Republicans and hits the same themes, with all of these missives meant to make it clear that any legislative efforts in this arena will face stiff opposition and any regulators advancing them will be hard-pressed in each Congressional appearance. We do not expect this to change the Administration's efforts – see above – but appropriated agencies and those with other objectives before Congress will surely be wary of them.

## **HFSC: Budget Resolution Pushes GSIB, FHA Reform**

Although recorded votes are pending, the budget resolution proposed by Democrats at yesterday's HFSC markup strongly supports President Biden's American Rescue Plan (ARP), but goes on also to fund or endorse other Democratic priorities, many sure to be strongly opposed by Republicans. In advance of next month's hearing with U.S. GSIBs, the budget resolution for example encourages financial regulators to re-examine the "megabank" regulatory framework clearly with an eye on Chairwoman Waters' (D-CA) longstanding bill mandating break-up for severe compliance lapses ([see FSM Report GSIB11](#)). The budget resolution also supports FHA programs in alliance with the Federal Financing Bank and renews demands that FHA premiums be cancelable at certain LTV levels as is the case with private MI. Further discussion reiterates Chairwoman Waters' concerns regarding [FHFA's GSE Capital rule](#) but does not propose solutions.

The resolution also lambastes CFPB leadership during the Trump Administration and urges its new leadership to reverse recently proposed or finalized rules where possible. Outside of reversing Trump-era policy, the resolution urges reforms to the credit reporting system, debt collection rules, and student lending. Rep. Barr offered an amendment during mark-up to emphasize that the CFPB should be a commission subject to the congressional appropriations process, both of which are longstanding GOP goals. Vice Chair San Nicolas (D-GU) opposed the amendment, arguing it would weaken the CFPB's strong structure and create a potentially paralyzed commission; it was rejected.

The resolution also supports additional funding for FinCEN to help implement the recent AML law ([see FSM Report AML133](#)) and urges the SEC to finalize its short-sale disclosures rule as mandated by Dodd-Frank given concerns over the recent GameStop situation.

## Yellen Urges More Rapid, Mandatory Green Transition for Financial Services

In wide-ranging remarks on the Biden Administration's climate policy, Secretary Yellen [today](#) laid out plans targeted at the financial services sector. Suggesting that private capital will need to support most of the \$2.5 trillion in essential climate-related incremental investments, Secretary Yellen says reliable, consistent climate-related investor disclosures based on the work of the FSB's Task Force on Climate-related Financial Disclosures are necessary. Treasury is thus working with the SEC to ensure that the ongoing review of its climate disclosure guidance ([see FSM Report GREEN6](#)) reflects this framework. International work on sustainability disclosures also continues with Treasury now co-chairing a relaunched G20 Sustainable Finance Working Group.

While Ms. Yellen says additional steps beyond disclosures will be needed for effective regulation and supervision, she also agreed that these cannot be identified without first obtaining greater and more granular data. This should, she said, be facilitated by new disclosures. Despite this knowledge gap, the Secretary urges regulators not to move slowly, saying doing so is "completely wrong" with Treasury now coordinating efforts to overcome current limitations both between U.S. agencies and with other countries.

### Recent Files Available for Downloading

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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](http://www.fedfin.com) or clients may obtain the reports/analyses by e-mailing [info@fedfin.com](mailto:info@fedfin.com) giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- [LIBOR5](#): Following Fed agreement earlier this year that federal legislation is needed (see Client Report FEDERALRESERVE61), the HFSC Capital Markets Subcommittee today laid the groundwork for rapid introduction and action on Chairman Sherman's draft bill.
- [ILC16](#): As anticipated, HFSC Democrats today continued their attack on non-traditional bank charters, with Chairwoman Waters (D-CA) pushing for no new ILC approvals and revoking the OCC's special-purpose charters.
- [GSE-041421](#): A new study from the Federal Reserve Bank of New York contradicts many assertions that COVID's mortgage-market mania disadvantages first-time homeowners.
- [INFRASTRUCTURE7](#): Sen. Joe Manchin (D-WV) recently reiterated that he believes an "infrastructure bank" would be an appealing way to fund significant U.S. investment without the direct cost associated with President Biden's plan.
- [GSE-040621](#): Just to be sure servicers got the message sent last week that the CFPB has them in its [crosshairs](#), the agency yesterday [proposed](#) sweeping changes to provide far-reaching foreclosure protections on all forbore or delinquent mortgages, not just those subject to the statutory protection afforded federal loans.
- [AI](#): Advancing their efforts to ensure "responsible innovation," federal agencies have taken an initial, cautious step into assessing the prudential, compliance, risk-management, and fairness implications of artificial intelligence (AI) and machine learning (ML).

- **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.