



# *FedFin Daily Briefing*

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Wednesday, April 28, 2021

## Senate Banking: Brown Highlights Workers, Need for Reform

Senate Banking today held an unusual listening session at which Chairman Brown (D-OH) invited workers to discuss the financial system's impact on their lives. The very short session involved only five workers but emphasized Sen. Brown's longstanding view that the financial system works only for Wall Street, not workers. Workers generally focused on the need to raise the minimum wage, strengthen labor laws, protect unions, fix overtime rules, ensure benefits for gig workers, and protect workers from private equity firms. Chairman Brown was the only member to speak at the briefing.

## Powell to NBFIs: Stop Expecting Fed Rescues

Reiterating that bank capital is robust, Mr. Powell today urged NBFIs not to rely on Fed support under stress. Although he did not go on to discuss the specifics of MMF and fund reform, he reiterated the pending global efforts to regulate NBFIs, noting also that Treasury market infrastructure reform is essential because large issuance of Treasury market obligations necessitate additional market capitalization. Mr. Powell also pushed back on comments suggesting Fed bank supervision missed multiple large exposures to Archegos, arguing that the Fed supervises banks to ensure that they have sufficient risk management systems, not to micro-manage individual risk assessments. Archegos' risks, he said, did not rise to systemic levels, with breakdowns at only at the individual firm level. Chair Powell again reiterated that the Fed is prioritizing getting a potential CBDC right over speedy delivery, underscoring the U.S. Dollar's role as the global reserve currency and dismissing concerns that other CBDCs could affect the dollar's status solely by virtue of early adoption. The Chinese CBDC model, he said, is inappropriate for the U.S. due to privacy and other considerations.

## 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](#).

- [PREEMPT36](#): At today's Senate Banking hearing, Democrats strongly objected to the OCC's True Lender rule, arguing it supports rent-a-bank schemes based on preemption of state usury and consumer-protection law.
- [GSE-042821](#): As we [anticipated](#), FHFA today [announced](#) a new refi product aimed at increasing the benefits of ultra-low rates for under-served borrowers and, we would guess, also distracting political attention from the continuing contretemps over [investor-property limitations](#).
- [DIVERSITY2](#): The House Financial Services Committee has approved legislation intended to force federal examiners to hold banks accountable for their diversity and inclusion efforts.
- [LIBOR5](#): Following Fed agreement earlier this year that federal legislation is needed, 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.