



FedFin Weekly Alert

Monday, May 17, 2021

❑ FAIL SAFE?

As we reported last week, Congress was abuzz with an HFSC [mark-up](#), a Senate vote revoking the [true-lender rule](#), and the rather compelling question of American democracy's future. Day in, day out, U.S. housing finance continued without any untoward developments prompting policy-maker attention. As a result, the vexing question of the future of Fannie Mae and Freddie Mac remains on both the Congressional and Administration to-do lists.

Not so for the Federal Housing Finance Agency (FHFA), which of course has nothing but GSEs on its mind. As we also detailed [last week](#), its little-noticed rule demanding Fannie and Freddie [resolution plans](#) is a vital step towards the systemic rulebook FSOC will demand of the GSEs when it turns to considering their SIFI status [later this year](#). The more FHFA settles this, the greater its odds of continuing [Director Calabria's](#) campaign to wind down the conservatorships before his term ends or – should the Supreme Court turn him [out sooner](#) – leave a legacy that still defines the far more disciplined mortgage securitizers that might finally warrant an explicit USG guarantee. This will be big, big news when it happens, but each step along the way – little noticed though it may be – crafts a GSE future with far-reaching housing-finance implications for any financial institution hoping for a future as a mortgage lender, servicer, insurer, and issuer.

Headlines From the Past Week's Daily Briefings

May 10

- **HFSC to Consider New Disclosures, LGBTQ+ Protections at Mark-Up** - Ahead of its mark-up, HFSC's memorandum indicates the session will focus on legislation mandating new SEC disclosures. Revised bills will be considered from Reps. Velázquez (D-NY), Casten (D-IL), and Axne (D-IA) that would require public companies to disclose employee-pay increases in comparison to those for senior officers, climate-risk data, and information on profits and taxes to identify firms that use tax havens.
- **Fed Staff Paper: PPPLF Doubled Banks' Small Business Lending** - Demonstrating the impact of one Fed facility for small banks, a new FRB staff working paper adds to the chorus of recent research concluding that the Fed's PPPLF successfully supported

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small business lending during the COVID crisis, going farther to find that banks that used the facility made nearly twice as many PPP loans relative to their assets.

May 11

- **Hsu Sets New OCC Course** - On his first day on the job, Acting Comptroller Michael Hsu announced a top-to-bottom review of agency rules to ready the OCC for a confirmed Comptroller.
- **Fed Sets Comment Date for Sweeping Payment-System Access Revamp** - The *Federal Register* includes the Fed's proposed guidelines to evaluate requests for accounts and services.
- **Williams: SOFR First, Alternative Benchmarks to Come** - FRB-NY President Williams underscored the importance of SOFR in a post-LIBOR world, arguing that SOFR provides the strong foundation essential for markets unmatched by other alternative benchmarks.
- **NBFI, Leveraged Lending, Corporate Debt Top FDIC's Risk Review** - The FDIC released its 2021 risk review, primarily focused on community banks. However, it provides a high-level review of risks to the entire banking sector.

May 12

- **True-Lender Rule Advances to Substantive Rewrite** - The Senate voted 52-47 in favor of a CRA resolution overturning the OCC's true-lender rule, sending the resolution now to the House for likely passage given the bipartisan nature of the Senate's vote.
- **Rosengren: CBDC Work Advancing, May Complement FedNow** - The *Federal Register* includes the Fed's proposed guidelines to evaluate requests for accounts and services.
- **Williams: SOFR First, Alternative Benchmarks to Come** - Boston Fed President Rosengren updated Fed work with MIT on CBDC, signaling significant progress even though the FRB has yet even to, as Chairman Powell might say, start thinking about thinking about creating a U.S. CBDC.
- **Brown, Toomey Preparing Broad China Sanctions Bill** - Continuing Congress's use of sanctions as a tool of U.S. foreign, human-rights, and economic power, Senate Banking Chair Brown (D-OH) and Ranking Member Toomey (R-PA) agreed in principle on legislation they will offer as an amendment to a broader package on China set for near-term Senate consideration.
- **New House Disclosure, Fair-Lending Bills Set to Advance** - Although recorded votes will take place, it seems likely that the HFSC bills on which action was incomplete earlier today will be decided on party-line votes.

May 13

No news of note.

May 14

- **CGFS: NBFIs Dominate International Capital Flows, Policy Response Uncertain**
- The BIS Committee on the Global Financial System (CGFS) released a paper on changes to post-2008 capital flows, ratifying and updating its 2009 report.

This Week

Tuesday, May 18

HFSC Subcommittee on National Security, International Development and Monetary Policy hearing entitled: “Examining Belt and Road: The Lending Practices of the People’s Republic of China and Impact on the International Debt Architecture.” [10:00am, Cisco WebEx] Witnesses not yet available.

Senate Banking hearing entitled: “Reauthorization of the National Flood Insurance Program, Part I.” [10:00am, Remote] Witnesses: **Mr. Chad Berginnis**, Executive Director, Association of State Floodplain Managers; **Ms. Velma M. Smith**, Senior Officer, Government Relations, Pew Charitable Trusts; **Ms. Rebecca Kagan Sternhell**, Director, New York City Office of Federal Affairs; **Mr. Stephen Ellis**, President, Taxpayers for Common Sense; and **Mr. R.J. Lehmann**, Senior Fellow and Editor-in-Chief, International Center for Law & Economics.

Wednesday, May 19

HFSC hearing entitled: “Oversight of Prudential Regulators: Ensuring the Safety, Soundness, Diversity, and Accountability of Depository Institutions.” [10:00am, Cisco WebEx] Witnesses not yet available.

Friday, May 21

FSOC Open & Executive Session [TBD, Videoconference] **Preliminary Agenda for Open Session:** Money Market Fund Reform and Transition from LIBOR. **Preliminary Agenda for Executive Session:** Money Market Mutual Fund Reform and Preliminary Updates Regarding Council Priorities.

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](#).

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- [**DEPOITINSURANCE112**](#): Although federal law expressly bars misrepresentation of FDIC-insurance status, the FDIC has observed increasing instances that might at the least be described as confusing, many of which led to informal enforcement actions.
- [**GSE-051221**](#): A new [Fed staff paper](#) sharply questions an axiom of mortgage securitization: the sanctity of the TBA market.
- [**SYSTEMIC91**](#): In this report, we assess the details of the Fed's most recent financial-stability report, focusing on policy and regulatory ramifications with near-term strategic impact.
- [**GSE-051021**](#): As detailed in a [new FedFin report](#), the Fed's proposal to open payment-system access is far from the technicality many nonbankers take it to be.
- [**PAYMENT22**](#): When the Fed announced its new instant payment system in 2020, it made it clear that access would be limited to traditional insured depository institutions (IDIs) and ever since has shown no public inclination to open the system.
- [**INVESTOR7**](#): Today's HFSC hearing on the lessons of GameStop featured SEC Chairman Gensler for his first Congressional appearance in this new role and, as detailed in this report, a lengthy list of initiatives now under way at the Commission not only on equity-market trading integrity and systemic risk, but also Archegos and digital currency.
- [**GSE-050521**](#): Ahead of possible systemic designation for Fannie and Freddie, FHFA is barreling through the systemic rulebook, finalizing [capital rules](#), proposing [liquidity standards](#), and, now, [finalizing](#) living-will requirements to ensure orderly GSE resolution under even acute stress.
- [**GSE-050321**](#): The month of May may not be merry in Washington, but it's always consequential. Legislation with any serious hope of success in this session of Congress should be showing signs of determined life by now under ordinary circumstances.
- [**GSE-043021**](#): Earlier today, we provided clients with an [in-depth analysis](#) of sweeping progressive legislation revising both the Community Reinvestment Act and the duties of lenders, servicers, the GSEs, and FHA with regard to loan modification and asset dispositions.
- [**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.