



FedFin Daily Briefing

Tuesday, May 18, 2021

Infrastructure Bonds Get Strong Bipartisan Support

Today's Senate Finance hearing on infrastructure financing evidenced bipartisan support for infrastructure bonds, signaling progress on public-private bond infrastructure-financing strategies that will have significant financial-sector impact ([see Client Report INFRASTRUCTURE7](#)). Both Chairman Wyden (D-OR) and Ranking Member Crapo (R-ID) agreed that the Obama Administration's bipartisan "Build America Bonds" approach could be an effective way of incentivizing private capital into infrastructure. Sen. Crapo also noted the importance of considering how private activity bonds and other bond programs could be used to help states advance infrastructure projects, with witnesses unsurprisingly supporting both these bonds and significant direct taxpayer spending.

OCC's CRA Freeze Clears Path for Inter-Agency Rewrite

Acting just one week after its [leadership change](#), and ahead of tough questioning [tomorrow](#), the OCC [today](#) froze the need for national banks to comply with its controversial CRA rule ([see Client Report CRA28](#)). The agency is reconsidering the rule and, without giving any indication of what may be next, issued guidance stating that the evaluation criteria in the current rule will not dictate examiner review of activity quantification, assessment areas, general performance standards, data collection, recordkeeping, or reporting. National banks are thus free to suspend work to comply with these sections of the rule but must comply with requirements that took effect in October of last year. The OCC will also no longer finalize a related rulemaking on CRA evaluation measure benchmarks, retail lending distribution test thresholds, and community development minimums [proposed](#) late last year. With this action, the OCC has a clear path to the inter-agency deliberations on a joint CRA rewrite presaged in last year's Fed ANPR ([see FSM Report CRA30](#)).

New OCC: New Attention to Climate Risk, Disparate Impact

The OCC today released its [Semiannual Risk Perspective](#), noting for the first time that banks face both physical and transition related climate risks but stating only that the OCC is researching them. The report also includes a warning, stating that the OCC has found potential disparate impact in the manner in which banks process consumer applications for COVID relief. Despite previous remarks by FRB-NY [President Williams](#) that underscored the Fed's preference for SOFR, the OCC report also emphasizes inter-agency guidance that allows banks to choose their own replacement benchmark rate. It also acknowledges compliance challenges banks face due to changes to the BSA stemming from the new AML law ([see Client Report AML133](#)), noting that the OCC will consider the impact of COVID-related measures on BSA compliance in determining any supervisory response. COVID has also necessitated updates to national bank compliance and audit plans, with increasing cybersecurity threats and risks related to not understanding or controlling for cryptocurrency also cited.

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](#).

- **[INTERCHAGE8](#)**: Leaving its interchange-fee restrictions intact – at least for now – the Federal Reserve is proposing to expand on its existing requirement that all debit-card transactions must be enabled for processing on at least two unaffiliated payment-card networks for card-not-present (e.g., online) transactions.
- **[GSE-051821](#)**: As we noted [yesterday](#) in our initial assessment of FHFA's annual CRT report, its assessment of the critical 2020-21 period shows an unbending determination to quash all but the best-capitalized credit-risk transfers no matter the pressure from Congress and other quarters to relent on grounds that risk transfers reduce GSE risk and thus spur recapitalization and privatization.
- **[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.
- **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.