



FedFin Daily Briefing

Tuesday, July 20, 2021

Treasury Confirms Far-Reaching Sanctions Review

The readout released [today](#) from Treasury Deputy Secretary Adeyemo's meeting with former sanctions officials from the three previous administrations indicates that Treasury continues to pursue sanctions reform with an eye towards limiting unintended consequences for humanitarian relief to the greatest extent possible. Continuing a theme first [detailed by Secretary Yellen](#), Mr. Adeyemo also says that sanctions must not be an end unto themselves, but rather be employed in broader strategy addressing foreign policy or national-security threats and to maintain the integrity of the U.S. financial system.

FDIC Proposes Insurance-Coverage Tweaks for Trusts, MSA Deposits

The FDIC [today](#) approved a proposal simplifying deposit-insurance coverage rules for deposits held in connection with revocable and irrevocable trusts and certain MSA deposits. Specifically, the current, separate categories for revocable and irrevocable trusts would be merged into a single trust-accounts category, with deposit insurance coverage continuing separate from that for other deposits. Coverage for trust deposits would be limited to \$1,250,000 per grantor, generally maintaining the current limit although a very small number of depositors could see reduced coverage.

The proposal would also provide consistent deposit insurance treatment for all MSA account deposit balances held to satisfy P&I obligations to a lender. Accounts comprised of P&I payments maintained by a mortgage servicer in an agency, custodial, or fiduciary capacity would be insured for the cumulative balance paid into the account to satisfy P&I obligations up to the standard deposit insurance maximum (i.e., \$250,000). This effectively expands coverage from only P&I payments paid into the account by the mortgagor to funds paid in from other sources such as the servicer's own operating funds. The NPR would not make any changes to the coverage provided on accounts comprised of payments of taxes or insurance premiums. Comment is due sixty days after *Federal Register* publication.

HFSC Dems Highlight Housing-Infrastructure Plans

At today's HFSC hearing featuring HUD Secretary Fudge, Chairwoman Waters (D-CA) highlighted her comprehensive [housing package](#), with Democrats focusing on affordable housing, public housing, homelessness and zoning issues. Meanwhile, Ranking Member McHenry (R-NC) led Republicans against the administration's "mismanagement" of the rental assistance program, also criticizing Secretary Yellen for not appearing before the Committee to address this issue. Rep. Adams (D-NC) asked what role HUD can play in ensuring that the conventional market, including GSEs, serves more borrowers of color; Secretary Fudge announced that HUD is looking at how FHA determines creditworthiness with particular attention to student debt. HUD is also assessing new ways to encourage small dollar loans. Rep. Sherman (D-CA) pressed for further action to protect consumers from "predatory" PACE loans while Rep. Meeks (D-NY) highlighted the need to streamline the FHA loan process to help first-time homebuyers compete against private investors buying single-family homes.

On the other hand, Rep. Huizenga (R-MI) blasted any HUD rulemaking that would restrict FHA financing for loans with downpayment assistance; Secretary Fudge denied knowledge of this, but supported HUD's work to advance downpayment assistance. Rep. Williams (R-TX) worried that bank FHA participation has dropped, asking also what HUD is doing to work through the backlog of FHA multifamily deals; Secretary Fudge noted

that HUD is working to streamline the process. Rep. Taylor (R-TX) asked if HUD could use AI to identify fraud; Ms. Fudge said she had not considered this.

Basel Proposes Perpetual Review of GSIB Regime

Returning to regular business following its COVID-mitigation efforts, the Basel Committee [today](#) announced it will restart its review of the GSIB assessment regime, now consulting on adjustments to its prior approach ([see FSM Report GSIB13](#)). The new policy would replace the three-year review cycle with ongoing monitoring and review of recent developments or new indicators, emerging effectiveness evidence, and structural changes. The role of branches and subsidiaries would also be considered along with alternative methodologies for the substitutability category allowing for the removal of the current cap. Regime changes would only be considered if monitoring reveals material unintended consequences or deficiencies; today's announcement does not indicate whether these would be proposed for comment or implemented without seeking feedback. Comment is due September 3.

Agencies Formally Announced Joint CRA Rewrite

Announcing what long seemed inevitable, the OCC [today](#) announced that it will rescind its controversial CRA rule ([see Client Report CRA28](#)) and work with the other banking agencies on a joint proposal based on the Fed's 2020 ANPR ([see FSM Report CRA30](#)). At the same time, all of the [agencies announced](#) that they are working together to craft a new CRA standard, providing no timeline as to when this might actually occur.

EU Vaults Over U.S. Setting Crypto AML Policy

Throwing the lack of U.S. crypto policy into still greater relief, the EU [today proposed](#) banning anonymous crypto-asset wallets, fully applying EU AML/CFT rules and wire-transfer requirements to the crypto sector. The proposal also includes the creation of a new "EU AML Authority" (AMLA), tasked with directly supervising the riskiest financial institutions as well as with monitoring national supervisors responsible for other bank and non-bank financial institutions. Noting that money-laundering and terrorist-financing risk is not proportional to a company's size, high-risk cross-border credit and financial institutions with activity in a significant number of Member States are likely to be considered high risk and will be directly supervised by the AMLA. The legislative package will be discussed by the EU Parliament and Council, with the EU hoping to have the AMLA operational in 2024.

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](#).

- [**GSE-071621**](#): Later today, we'll provide clients with a summary of key provisions in the [housing-infrastructure package](#) released earlier today by HFSC Chairwoman Waters.
- [**FEDERALRESERVE63**](#): Signaling a tough challenge for a second Powell term, Senate Banking Chairman Brown (D-OH) today said, "It's time to try something different," also joining Sen. Warren (D-MA) lambasting Mr. Powell's role in what they characterize as risky big-bank regulatory relief.
- [**FEDERALRESERVE62**](#): Although much of today's HFSC hearing with Chairman Powell was

preoccupied by hot debate over the extent to which inflation is "transitory," key financial-policy questions also surfaced for substantive discussion.

- **GSE-071221:** On Friday, former FHFA Director Calabria [suggested](#) that the Administration's [new competition policy](#) powers up his proposal for authorizing multiple GSE charters just as a bank charter is granted to all qualified comers.
- **MERGER6:** In an [executive order \(EO\)](#) that truly deserves to be called "sweeping," President Biden today announced a "whole-of-government" initiative aimed at reducing market concentration, enhancing consumer choice, reducing prices, and enhancing economic equality.
- **GSE-070821:** Our recent in-depth analysis details the range of options proposed by the Financial Stability Board for MMF reform. Here, we assess what this means for Fannie, Freddie, and the FHLBs.
- **GSIB20:** The House Financial Services Committee has approved legislation introduced by a progressive Democrat, Rep. Ayanna Pressley (D-MA), requiring GSIBs to disclose many quantitative and qualitative matters.
- **MMF17:** As promised late last year when it addressed nonbank financial intermediation (NBFI), the Financial Stability Board is seeking comment on ways to reduce the risk that money-market funds (MMFs) succumb to runs under stress or, as occurred in both 2008 and 2020, require taxpayer backstops.
- **GSE-070121:** Continuing to act with awesome dispatch on its new director's racial-equity and economic-equality agenda, [FHFA today](#) issued a final policy statement setting new anti-discrimination standards for Fannie, Freddie, and the FHLBs.
- **GSE-063021:** With numerous modifications designed to make its [proposal](#) less onerous, the CFPB on Monday issued a [final rule](#) providing temporary foreclosure protection without the *de facto* moratorium that, had the Bureau [heeded](#) some on the Hill, would have prolonged nonpayment, possibly precipitating a flood of borrower requests which servicers could not reasonably be expected to handle with justice for all.
- **FCRA30:** Today's HFSC hearing on credit reporting laid the foundation for legislative action on measures that will prove highly controversial.
- **GSE-062821:** After last week's colossal Supreme Court [decision](#), we provided our [first assessment](#) of its impact on near-term charter, mission, and regulatory decisions. Now, we turn in detail to what might come to pass for the conservatorship.
- **CBDC6:** As previously noted, the BIS has released its most full-throated endorsement yet for CBDC. This not only puts further pressure on central banks – the Fed very much included – to accelerate work, but also on the shape of emerging CBDCs.
- **GSE-062321:** There is much rejoicing in mortgage-industry land that the Supreme Court decision today means rapid repeal of Mark Calabria's regulatory legacy and still more rejoicing among affordable-housing advocates about GSEs yoked to a new public-welfare and racial-equity mission without any hope of an end to the conservatorship.
- **CHINA16:** The Senate has passed by a wide margin legislation taking an array of actions to counter the threat now seen to be posed by the People's Republic of China.
- **GSE-061721:** We have reviewed FHFA's massive [report to Congress](#) on its 2020 activities, finding only

lots of handy facts and no significant policy insights.

- **GSE-061621:** As [detailed in our new in-depth report](#), the Basel Committee is proposing a new regulatory framework for bank exposures to cryptoassets that will influence not only what banks do in this critical arena, but also what the GSEs can do and thus what happens to the [digital mortgage](#).