



FedFin Weekly Alert

Monday, August 16, 2021

❑ BANK ON IT

Earlier this year ([see Client Report INFRASTRUCTURE7](#)), we forecast that any Congressional action funding U.S. infrastructure would include a version of the public-private infrastructure bank that has figured in Democratic proposals since at least the Obama Administration ([see FSM Report INFRASTRUCTURE5](#)). The Senate's final bill (H.R. 3684) includes no such bank because Republicans opposed it and Democrats wanted a bipartisan measure. The House comes back into session on August 23. Whether it will first take up this bill or budget reconciliation remains to be seen. Regardless, the infrastructure bank will be among the biggest Democratic proposals from which the Speaker must choose to determine how much of a bipartisan measure she too will accept.

The leading candidate as the starting point in the House is H.R. 4413, legislation introduced by Rep. Rosa DeLauro (D-CT). She chairs the House Appropriations Committee and thus will have more than a little to say about what ends up in the broad infrastructure bill. H.R. 4413 tracks prior infrastructure-bank proposals in that it's set up as a public enterprise that may partner with private financiers and investors.

Indeed, the bill requires that the bank maximize private capital in both the loan structures and guarantees it disburses. These must be only for "hard" infrastructure such as roads, but energy and environmental projects have a prominent role akin to that set up for direct financing in the Senate's measure. Importantly, the DeLauro bill's bank is a good deal smaller than the massive institutions contemplated in prior years; it would have only \$5 billion a year to lend out, although it could of course stretch this to a far greater market presence with financial partners and/or guarantees.

The bill's smaller size perhaps makes it less of a threat to the municipal-bond sector and to what's left of project finance in the banking sector. However, there is no ban on the infrastructure bank making loans or guarantees in credit that otherwise would proceed from the private sector. If this bill advances in anything like a bipartisan fashion, a "no-credit-elsewhere" eligibility criterion is almost certain.

We will continue to monitor this issue as the bill advances, keeping an eye also on the reconciliation bill the House will also take up.

Headlines From the Past Week's Daily Briefings

August 9

- **FSB: 2009 Comp Standards Withstand COVID, Other Challenges** - The FSB's summary of its latest compensation workshop concluded that most compensation frameworks were flexible enough to respond to the pandemic.
- **Fed Staff: Shadow Banks Increasing Gaps in Reg Perimeter** - A new Fed Staff paper provides an exhaustive inventory of gaps in the U.S. financial-regulatory perimeter and the risks they present.
- **Fed Study: Climate Change a Risk to Economic Growth, Financial Stability** - Describing climate change as the central economic challenge of this century, a new Fed study finds that climate risk may lead to large risks to macroeconomic growth.

August 10

- **Gensler Stands Firm on Mandatory Climate Disclosures** - SEC Chair Gensler took to Twitter to reiterate the new climate-risk disclosure framework he assessed after he detailed this in an August 3 speech.
- **Final Senate Infrastructure Bill Retains G-Fee Extension** - The infrastructure bill passed by the Senate retains the extension of the 10bp GSE g-fee increase set to expire at the end of this fiscal year.
- **CFPB Servicer Report Identifies Enforcement Targets** - Following a demand from HFSC Chairwoman Waters (D-CA) that regulators toughen servicer enforcement, the CFPB released a report finding that some servicers struggled to assist borrowers during the pandemic, "substantially underperforming" their peers in key effectiveness metrics.

August 11

- **FRB-NY Official Stands by the Stand-By Facilities** - In remarks, senior FRB-NY official Lorie Logan made it clear that the Fed views the new stand-by repo facilities as a money-market backstop.
- **Gensler Asks Senate for Plenary Crypto Authority for SEC, CFTC, Banking Agencies** - Responding to Sen. Warren (D-MA), a letter released from SEC Chairman Gensler requests that the Commission and other regulators be granted "plenary" authority over the securities, commodities, and lending activities of a wide range of crypto companies.
- **FFIEC Issues Major Access/Authentication Update** - The FFIEC issued guidance applicable to all of its member agencies detailing effective risk management principles and practices for access and authentication.
- **DOJ Not Only Endorses Debit-Routing NPR, Also Proposes Fed-Competition Policy Shift** - In an unusual move, the Department of Justice filed a comment letter supporting the Fed's controversial proposal to revise its interchange routing rules.

August 12

- **FDIC Seeks Views on Exam Revamp** - The FDIC requested input on its examinations during the pandemic, seeking views on matters such as whether its approach to off-site exams might be used going forward, looking for example at using technology to replace some on-site activities.
- **FTC Presses for Tough Fed Interchange Rule, Possible Expansion** - Reflecting a concerted Administration position, FTC staff followed the Department of Justice's lead and filed a comment strongly urging final Fed action on a revised, tougher version of its debit-routing proposal.
- **Global Regulators Absolve ETFs** - In conjunction with global efforts to reduce NBF1 risk, IOSCO released a report generally absolving ETFs of the need for any of the structural reforms now contemplated for MMFs and bond funds.
- **HUD/FHFA Anti-Discrimination Agreement Raises GSE, Counterparty Legal, Rep Risk** - Reinforcing our forecast of tougher fair-lending enforcement, HUD and FHFA released a memorandum of understanding (MOU) aligning policies in ways sure to accelerate FHFA's new, far more stringent approach.

August 13

- **Ginnie Extends Eligibility-Standard Comment Deadline, Hints at Compromise** - After a barrage of industry protest, Ginnie Mae extended the comment deadline on its controversial [issuer eligibility RFI](#).

This Week

No meetings of note.

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-081321](#)**: FHFA today [released](#) both the 2020 and 2021 stress-test results for Fannie and Freddie.
- **[GSE-081121](#)**: As we briefly noted [yesterday](#), the CFPB released a [report](#) assessing how the largest servicers handled borrowers over recent, chaotic months.
- **[LIBOR6](#)**: The House Financial Services Committee has reported H.R. 4616, a bill designed to prevent the chaos feared when the use of the LIBOR benchmark ceases for legacy contracts that lack language authorizing reliance on an alternative, "fallback" rate.

Federal Financial Analytics, Inc.
2101 L Street, N.W. – Suite 300, Washington, D.C. 20037
Phone (202) 589-0880
E-mail: info@fedfin.com www.fedfin.com

© 2021. Federal Financial Analytics, Inc. All rights reserved.

- [GSE-080421](#): A new [Fed study](#) finds a significant mark-up in the cost of mortgages during the 2020 boom even though government guarantees secured continued mortgage supply for all but the lowest and highest ends of the housing market.
- [REFORM207](#): Today's Senate Banking hearing on bank supervision did not include FRB Vice Chairman Quarles, who came before the panel for withering criticism earlier this year (see Client Report REFORM206).
- [GSE-080221](#): Whatever befalls the Senate infrastructure bill, we believe its \$21 billion GSE pay-for is but one bit of a bigger de facto transformation of the GSEs.
- [GSE-073021](#): As promised, we here [follow up our assessment](#) of Ginnie's proposed prudential standards for nonbank mortgage companies with an analysis of model rules aimed at the same goal from the Conference of State Bank Supervisors (CSBS).
- [PREEMPT37](#): Senate Banking today held a hearing on new legislation (S. 2508) from Sen. Reed (D-RI) extending the Military Lending Act (MLA) interest-rate cap to certain consumer financial products to all consumers.
- [GSE-072821](#): Ginnie's proposed new capital and, to a lesser extent, its liquidity [standards](#) could well redefine the mortgage playing field.
- [CBDC7](#): Today's HFSC National Security Subcommittee hearing on CBDC featured bipartisan concern over China's threat to U.S. Dollar supremacy and the effectiveness of U.S. sanctions without a U.S. CBDC.
- [ACCESS2](#): At a very well-attended HFSC Consumer Protection Subcommittee hearing, Democrats strongly supported government-led solutions to increase financial inclusion.
- [VENDOR9](#): The banking agencies have proposed sweeping standards that would hold all of the banking organizations they govern responsible for the safety and soundness, consumer compliance, and perhaps even diversity of a wide range of third-party business arrangements
- [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.