



FedFin Daily Briefing

Tuesday, September 14, 2021

Warren Renews Demand for Wells Fargo Break-Up

Renewing her attack against Wells Fargo, Sen. Warren (D-MA) has [called on the Fed](#) to retract the company's financial holding company (FHC) status. Renewing also her longstanding efforts to separate consumer from commercial banking ([See FSM Report FHC21](#)), she notes that there are inherent conflicts in Wells Fargo's structure that its compliance record suggests cannot be managed. She also suggests that the company is expanding into capital-markets activities to circumvent the 2018 Fed enforcement order ([see Client Report CORPGOV26](#)). We do not expect any legislative action on the issues Sen. Warren raises in either Senate Banking or HFSC, although Chairwoman Waters (D-CA) will surely join Sen. Warren in sharply criticizing Wells Fargo and pressuring the Fed for additional sanctions to restrict the bank's activities. We also do not expect the Fed to act on Sen. Warren's recommendation, although pressure such as this often increases the odds of other forms of enforcement action.

Treasury/FHFA Reset the GSEs' Role in U.S. Housing Finance

As we forecast earlier this [year](#), Treasury and the FHFA [today suspended](#) -- but did not abrogate -- key aspects of the Trump Administration's final [changes](#) to the standards governing Fannie Mae and Freddie Mac under the PSPA. In the statement, Treasury emphasizes the importance of now setting standards that do not increase house prices but instead support increased affordable housing, deferring to FHFA on safety-and-soundness matters. In FHFA's statement, the agency [reiterates concerns](#) about housing-market risk, clarifying that the GSEs will be permitted to retain capital as allowed in January but that the agency will soon reconsider the current capital framework. We will shortly provide clients with an in-depth analysis of these changes and others to the PSPA, with the agreement among other things suspending prior limits on GSE acquisitions of high-risk or second-home mortgages.

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](#).

- [INVESTOR18](#): As is often the case, Senate Banking's hearing today with SEC Chairman Gensler did not touch on the fixed-income structure questions highlighted in his [written testimony](#) even though these could be among the most consequential for long-term capital-market regulation and the balance between the Fed and SEC in this key arena.
- [GSE-091021](#): Soaring house prices have of course aroused lofty housing-bubble worries.
- [GSE-090821](#): As Karen Petrou's [Monday memo](#) forecast, FHFA is doubling down on an already-ambitious work plan to make Fannie and Freddie the epitome of mortgage-finance equity.
- [SBA40](#): Turning again to a provision in the 2010 Dodd-Frank Act, the Bureau of Consumer Financial Protection has issued a sweeping proposal to implement small-business and small-farm lending disclosure requirements akin to those long required under the Home Mortgage Disclosure Act (HMDA).
- [GSE-090121](#): A [major paper](#) delivered at last week's Jackson Hole Fed meeting shows – we think

conclusively – that it's not demographics that keep interest rates so, so low, but wealth inequality.

- **OVERDRAFT10**: Senior Senate Democrats have proposed legislation that would sharply restrict most transaction-account overdraft fees to the point of likely eliminating them for most consumers at most depository institutions.
- **GREEN10**: House Democrats are considering legislation to mandate a punitive capital construct for bank and, in some cases, also to certain nonbank exposures to companies with fossil-fuel links.
- **GREEN9**: Legislation from House and Senate Democrats would force the Federal Reserve quickly to implement mandatory stress testing for all large banking organizations and large nonbanks judged by asset size if they are principally engaged in finance.
- **GSE-090121**: A major paper delivered at last week's Jackson Hole Fed meeting shows – we think conclusively – that it's not demographics that keep interest rates so, so low, but wealth inequality.

- [GSE-082321](#): In this in-depth report, we build on our [preliminary analysis](#) of the CFPB's latest HMDA-data assessment. As we noted on Thursday, the agency chose to highlight its totally-unsurprising finding that the mortgage market was hot, hot, hot in 2020.
- [ACCESS3](#): Although states and localities continue to ban merchants from refusing to accept cash, federal legislation is also pending to create a nationwide ban on such practices and govern how cash must be accepted to enhance equality without facilitating money laundering.
- [GSE-081821](#): As we anticipated when Sandra Thompson [took over](#), FHFA's [newly-proposed approach](#) to the GSEs' affordable-housing goals tackles longstanding criticism that the old measurement criteria promoted gentrification.
- [PREEMPT38](#): The chairmen of the Senate Armed Services and Banking Committees, together with many Democratic colleagues, have introduced legislation to extend the interest-rate ceilings in the Military Lending Act (MLA) to all consumers.