



# FedFin Daily Briefing

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Wednesday, September 15, 2021

## FHFA Changes Capital Course on Key Requirements

Yesterday, [FHFA said](#) it would soon issue revisions to GSE capital regulation. Today, it did, [proposing](#) to retract the prior rule's dim view of credit-risk transfer (CRT) with a new approach actively promoting it. The proposal also replaces a fixed leverage ratio with a dynamic one calculated against the equivalent of the GSIB surcharge imposed on the GSEs in the current rule. The ten percent risk weight floor on all assets would also be replaced with a low one directed solely at retained CRT positions. We will shortly assess these changes in an in-depth report, but it is clear that FHFA is now responding to extensive Congressional [criticism](#) and industry/GSE complaints. Comments on the revisions will be due sixty days after *Federal Register* publication.

## Acting Comptroller Expands on Equality Banking, Other Priorities

In [remarks](#) today, Acting Comptroller Hsu reiterated his priorities: reducing inequality, addressing digitalization, countering climate risk, and guarding against complacency. Banks can and should promote equality, he said, by foreclosure avoidance where appropriate and by taking more affirmative steps to bring low-and-moderate income households critical, affordable financial services that build wealth. Conversely, financial products should not be pernicious, with Mr. Hsu for the first time targeting buy-now/pay-later and reiterating his concerns about costly overdraft charges. Digitalization outside the reach of regulation reminds Mr. Hsu of the systemic risks posed by shadow banks before 2008, leading him to urge all federal and state regulators quickly to address an array of concerns. A new [PWG policy on stablecoins](#) will be released later this fall and a "sprint" among regulators is also under way. Climate risk is being reviewed in concert with other regulators, but the OCC is working with other agencies in the near term also on a risk-management manual for large banks. Citing Archegos as an example of complacency, the Acting Comptroller also cautions bankers and regulators to look outside rules for emerging risks and take action even when not required to do so.

## Recent Files Available for Downloading

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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](http://www.fedfin.com) or clients may obtain the reports/analyses by e-mailing [info@fedfin.com](mailto:info@fedfin.com) giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- [GSE-091521](#): As noted [yesterday](#), Treasury and the FHFA pulled the Trump PSPA's plug, although importantly and widely overlooked is that this is true only when it comes to near-term asset-purchase considerations.
- [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.

- **[SMBUS27](#)**: 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.