FedFin Daily Briefing

Wednesday, September 22, 2021

FDIC Prods Banks to Assist Innovators

Seeking further engagement and collaboration with innovators, the FDIC today sought comment on ways to expand information access within its innovation pilot program. Under a new policy, innovators could request voluntary information from banks and a broad range of interested parties. Information program participants would be permitted to request from banks includes general ledger information regarding all or a subset of a bank's products, services, systems, or activities. However, personally identifiable information could not be collected. The framework also permits FDIC staff to make similar requests to evaluate products or services developed in the pilot program. Given that banks can voluntarily provide any non-PII information they choose to anyone who asks, the purpose of this proposal is unclear except to the extent the FDIC expects that formalization enhances the likelihood of success. We would nonetheless expect that virtually all banks will be wary of providing any proprietary information to any program innovator outside the confines of a strict confidentiality agreement; similar concerns may also apply to FDIC requests outside the scope of the type of supervisory information expressly protected from FOIA requests. Comment is due November 22.

HUD, FHFA Start Fair-Housing Campaign with Soft Touch

Following their memorandum of understanding (MOU) last month and a newly-sharp focus on fair housing, HUD and FHFA today "clarified" that Freddie Mac will purchase mortgages secured by group homes. This follows a HUD investigation of a mortgage lender who, believing that Freddie would not buy the mortgage, refused to lend to an individual renting property to a company operating a group home. The agencies describe this as a "misunderstanding," after which Freddie clarified its policies, announcing that it has always been willing to buy such mortgages when otherwise qualified. Although the fact that Freddie changed its policy suggests that more than a clarification might have been required, HUD and FHFA's approach here suggests that it will not immediately resort to enforcement actions as many have feared.

HFSC Considers Transferring Fed's Macro-Stabilization Function to New Agency

Ahead of the HFSC Subcommittee hearing tomorrow on the Fed's emergency lending powers, the majority staff memo indicates that Members will consider draft legislation to establish a National Investment Authority (NIA). Although the name suggests a public-private infrastructure finance agency, the draft bill goes considerably farther, essentially creating a new federal agency charged with macroeconomic stability separate and apart from the Federal Reserve. The agency would invest in long-term infrastructure not just to improve it, but also and expressly to address un- and underemployment and poverty, ensuring universal access to essential services and goods, remediating and eliminating threats arising from climate change, and increasing domestic manufacturing capacity. Prioritization would be given to communities in greatest need, environmental justice hot spots, and projects bolstering climate and environmental justice. The memo also notes that, while Fed emergency facilities in response to COVID improved financial conditions, they did not prevent COVID's "devastating" impact on employment. The memo also highlights criticism that these facilities offered more generous support to larger corporations and financial institutions than to municipalities and small business. Witnesses are generally academics. We will provide clients with an in-depth analysis of tomorrow's hearing. While this legislation will not advance past the House in this Congress, it epitomizes a new approach to the Federal Reserve we think will gain strength as economic conditions remain below continuing Fed assertions of a robust recovery.

Powell Avoids Specifics on FRB Trading, Quarles, Wells Fargo

Although the Powell press conference today focused as always on the FOMC statement, the Fed chairman faced skeptical questions about recent personal trading by two Reserve Bank Presidents. The chairman stated that he was unaware of their trades and that conflict policies that have long been appropriate require careful review in light of the Fed's recent asset purchases. He took no stand on how this question should affect renomination for the two Bank presidents nor did he opine on whether Randy Quarles should retain his supervisory duties after his term expires next month if no successor has been confirmed.

Mr. Powell also took heat on Wells Fargo based on a recent letter from Sen. Warren (D-MA). Refusing to answer questions about the bank or even the Fed's authority to retract an FHC charter, he said only that the Board will take appropriate supervisory action and retain the current asset cap until problems are satisfactorily resolved. Mr. Powell also affirmed that a CBDC discussion paper is coming out soon, denying that the U.S. is falling behind or that its deliberative pace endangers the dollar. The chairman also stated that, while the FOMC views its maximum employment mandate as a broad and inclusive goal, it is not targeting a particular unemployment rate (i.e., Black unemployment) as a measure of inclusiveness.

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-092221:** Getting a bit ahead of FHFA's new equitable-finance mandate and its express demand for appraisal equity, Freddie Mac has released a detailed study of one of the most significant barriers to housing-finance equity: discriminatory appraisal practices that reduce the chances for wealth accumulation.

- **DATA2**: Today's HFSC Fintech Task Force Hearing featured an appearance by Full Committee Chairwoman Waters (D-CA) arguing against consumer opt-out.

- **PUSH-OUT14:** As we noted, SEC Chairman Gensler's written Senate Banking testimony included a short – but very significant – statement prioritizing Commission review of key fixed-income market sectors.

- **GSE-091621**: As we noted, FHFA wasted no time after the PSPA revision with its proposed changes to GSE capital regulation.

- **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.

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- **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.

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