



# *FedFin Daily Briefing*

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Thursday, September 23, 2021

## **Democrats, GOP Agree on Need for 13(3) Change, But not on How**

Today's HFSC Subcommittee hearing largely examined the Fed's 13(3) COVID facilities, generally side-stepping the draft bill posted along with the [staff memorandum](#) establishing a National Investment Authority (NIA). Although Rep. Hill (R-AR) asked about the bill, attention centered on the Main Street Lending Program, Municipal Liquidity Facility, and Secondary Market Corporate Credit Facility. As before, Members debated their effectiveness and possible alternatives in the event of future crises. Debate did not fall along party lines, with most members agreeing that the Fed's efforts were effective given their market-stabilization impact. However, a bipartisan minority including Reps. Torres (D-NY) and Williams (R-TX) suggested that the lack of take-up indicated flaws. Even those who agreed that the programs were effective given their backstop role argued in favor of changes, with partisan lines reemerging on this point. Democrats generally pushed for changes that would lower eligibility barriers, with some suggesting that new programs be permanently established for ready activation in exigent and unusual circumstances. Republicans countered that such programs would conflict with the Fed's role as a lender of last resort, putting it in competition with private markets, involving it in credit allocation, and hurting its independence.

## **CFPB Highlights Disparities in Credit Access**

The CFPB today [issued a study](#) of consumer complaints that went well beyond its findings also to highlight structural differences in credit access and the U.S. racial wealth gap. Expressing concern about a growing gap between higher income and/or majority white communities and between lower income and/or minority communities, the report argues that "new credit," particularly mortgages and refis, may thus be disproportionately available to consumers from communities with higher area median incomes or a greater share of white residents. Notably, the report also acknowledges that historically low interest rates, as well as existing disparities in homeownership rates and tightening of credit standards, all contribute to these differences.

Also detailing disparities in consumer complaints, the report uses non-public CFPB data and matching to census information to examine complaints submitted through the CFPB's online form or over the phone from 2018-2021. While communities of color and low-income communities complained more frequently about credit reporting, identity theft, and delinquent servicing, white or wealthy communities more frequently complained about loan origination and performing-loan servicing. Further, census tracts with the highest share of Black consumers submitted the most complaints per residents, while lower-income census tracts submitted around 30 percent more complaints per resident than census tracts at around 100 percent of area median income.

## **Omarova Appointment Faces Headwinds**

Following a flurry of rumors this morning, the President today [formally nominated](#) Cornell professor Saule Omarova as the next Comptroller of the Currency. This will prove a controversial appointment given Ms. Omarova's antipathy to large banks, cryptography, and fintech. Opponents will also point to a lack of supervisory and large-organization experience to suggest Ms. Omarova lacks necessary qualifications for the position even were one to agree with her. This is likely to lead the Administration to commit that Acting Comptroller Hsu would remain at the OCC in the number two post. Should Mr. Hsu not wish to do so, a similarly-experienced supervisor would be promised, but controversies over the appointment are sure to keep Mr. Hsu in place in his current post through at least the end of this year. It remains to be seen if this very progressive nomination satisfies those also opposed to reappointing Chairman Powell.

## 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-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.
- **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.