



Wednesday, December 15, 2021

## HFSC GOP Try to Restrain FDIC Democrats

Squaring off in the partisan battle over FDIC [merger policy](#), [HFSC Republicans](#) have launched their own investigation into what they call the Democrats' "power grab." Republicans also "demanded" that Chairwoman Waters (D-CA) convene an oversight hearing even as they seek Democrats to join their inquiry. Neither of these demands will be met, with the Republicans surely knowing that Rep. Waters [last week](#) sent a letter to the banking agencies and DOJ commending the pending RFI, also calling for still faster action on M&A restraints. The GOP also sent a separate letter to CFPB Director Chopra singling him out for censure.

## Powell Commends MMF Proposal, Demurs on Crypto Risk

As expected, Fed Chair Powell's press conference today focused almost entirely on inflation. However, Mr. Powell used a question on financial stability to applaud the SEC's MMF proposal (see alert earlier today). Asked about crypto's financial-stability risk, the Fed chair discounted near-term systemic risk, but consumer protection and market issues such as leverage outside the Fed's jurisdiction warrant attention. Mr. Powell also reiterated his support for the PWG's approach to stablecoins ([see Client Report CRYPTO21](#)), noting that stablecoins may come to pose systemic risk when associated with a bigtech payments network.

## Senate Dems Demand BNPL Standards

Sen. Jack Reed (D-RI) was joined today by Banking Chairman Brown (D-OH), Sen. Warren (D-MA), and other Committee Democrats in [calling on the CFPB](#) to regulate buy-now, pay-later (BNPL) products. Concerns include hidden fees, negative reporting, and undue incentives for consumers to take on unaffordable debt. Senators ask the Bureau to set standards for this sector as soon as reasonably practicable, looking not only at these concerns, but also at the extent to which BNPL is structured to evade TILA and other consumer protections, lacks dispute-resolution capacity, and is represented as "no-cost" credit. Director Chopra has already indicated that BNPL is on his target list ([see Client Report CONSUMER37](#)), but this letter may move it higher on his already-crowded agenda.

## 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-121521](#): Although there were signs [earlier this year](#) that the QRM risk-retention exemption might get a long-delayed overhaul, the agencies [yesterday](#) ducked any decisions.
- [GSE-120921](#): On Tuesday, [HUD](#) and the [CFPB](#) opened the door to [special-purpose mortgage finance](#). Now, we expect FHFA to use this safe harbor to mandate express GSE equitable-finance programs and for banks to take much of what's left in all their commitments after George Floyd's murder and turn it into mortgage and other community-finance products.
- [CRYPTO23](#): As [anticipated](#), today's HFSC hearing was a marathon session at which industry witnesses defended their business model, Republicans liked it fine, and Democrats worried about a wide array of policy challenges.

- **COVEREDFUNDS3**: The OCC is "clarifying," but also in many respects rescinding one aspect of controversial 2020 rules expanding the "covered funds" under which banks may make equity investments as provided by the Volcker Rule.
- **GSE-120621**: As we noted on [Friday](#), Senate Banking Ranking Member Toomey asked SEC Chairman Gary Gensler a trick question about GSE [obligations](#) at the very end of a lengthy letter focused principally on cryptography.
- **GSE-120221**: Two recent studies add fuel to the fire we first spotted [late last year](#): demands for ARMs that only go down.
- **FEDERALRESERVE65**: Continuing the partisan and often-acrimonious tone of the Senate Banking hearing ([see Client Report FEDERALRESERVE64](#)), HFSC today heard from Chairman Powell and Secretary Yellen.
- **CRYPTO22**: Although the OCC joined other agencies issuing a non-committal "roadmap" for future cryptography actions, the agency at the same time and far more decisively stated that crypto activities are permissible only if they are also safe and sound.
- **FEDERALRESERVE64**: Most of the news at today's Senate Banking hearing revolves around Chairman Powell's concession that inflation may not be transitory and economic growth is now so robust that quantitative tightening might proceed more quickly than planned, pandemic permitting.
- **GSE-113021**: Unsurprisingly, [FHFA today raised](#) the GSEs' conforming loan limit to about \$647,000 and the high-cost limit to nearly \$1 million.
- **GSE-112421**: Because FHFA tends to take its cue from both the Basel Committee on Banking Supervision and its U.S. cousins, we here drill down to look at the housing-finance implications of the proposed global framework we assessed in a [recent in-depth report](#).
- **CLIMATE12**: Following the UN's COP26 climate-risk summit, the Basel Committee has proposed high-level principles guiding risk management and supervision related to both physical and transition climate risk.
- **REFORM210**: [As expected](#), today's hearing with Comptroller-nominee Saule Omarova included an unprecedented amount of fireworks for what is normally a low profile appointment.
- **FAIRLEND10**: The CFPB has followed a study earlier this year finding significant mortgage product and price discrepancies based on race or ethnicity with a request for input (RFI) on the HMDA data on which the study was based.
- **GSE-111721a**: FHFA's [new scoring system](#) for the GSEs and CSS is a startling, if unsurprising, mission rewrite.
- **GSE-111721**: As [noted](#) yesterday, the CFPB has opened its HMDA rules to a raft of changes
- **GSE-111521**: As we [noted on Wednesday](#), the CFPB highlighted Director Chopra's competition focus when it joined other agencies [renewing](#) their mortgage-servicing supervisory and enforcement standards.
- **GSE-111221**: As [Mark Calabria made clear earlier this year](#), reform of the Treasury market has direct, major impact on that for agency debt and MBS.

- **TMARKET2**: In this report, we build on [our initial analysis](#) of Monday's [report](#) from the Inter-Agency Working Group on Treasury Market Surveillance (IAWG).
- **SYSTEMIC92**: Late yesterday, the Federal Reserve [released](#) its most recent financial-stability report. As in its predecessor earlier this year ([see Client Report SYSTEMIC91](#)), this report takes a cautious view, counting on continuing bank resilience to counteract old worries, such as asset-price bubbles, along with containing at least some new fears.
- **CRYPTO21**: As [noted yesterday](#), the President's Working Group on Financial Markets (PWG) was joined by the OCC and FDIC yesterday issuing a report calling for prompt Congressional action to regulate stablecoins and, even in its absence, also for fast action by federal regulators and the FSOC.