



Wednesday, December 22, 2021

## Waters Demands McWilliams Justify RFI Blockade

As promised [last week](#), HFSC Chairwoman Waters (D-CA) [today](#) formally requested that FDIC Chair McWilliams advise the committee of the legal authority on which she relied to prevent issuance of the merger RFI ([see FSM Report MERGER9](#)). The chairwoman also asks Ms. McWilliams to reconsider, urging her to collaborate with the Board and other regulators to improve the FDIC's merger review process, which has not been updated to reflect Dodd-Frank's financial-stability criterion. Her letter also lambastes Republicans who have characterized the RFI as a "power grab" or "coup," noting that they have not taken the same approach to the NCUA's GOP majority outvoting its Democratic chairman on recent rules. Chair McWilliams' response is due January 21, after which we expect an HFSC hearing on bank M&A process and substance.

## FHFA Strengthens Affordable-Housing Goals

FHFA today [finalized](#) the GSEs' affordable-housing goals, keeping single-family goals as [proposed](#) for 2022-2024. Fannie and Freddie both supported the single-family benchmarks, with Fannie in fact supporting even higher ones. Although increases to single-family home purchase housing goals were characterized by the Enterprises as "substantial," these were also supported. However, Freddie did observe that new targets exceed past performance by both the GSEs and the market, raising concerns that they may be unachievable in current, uncertain market conditions. FHFA declined to designate an implementation period for the targets even though Freddie requested one. Fannie is also concerned with the single-family low-income refi goal due to uncertainty regarding future interest rates. With regard to area-based subgoals, Fannie and Freddie applauded FHFA's focus on equitable-housing finance.

Multifamily goals were finalized only for 2022, with Fannie's small multifamily low-income subgoal decreased from the proposed 23,000 to 17,000 units; Freddie's remains at 23,000. FHFA limited the multifamily goals to only 2022 given uncertainties from COVID, determining also that different small multifamily low-income subgoals were appropriate due to different GSE business models.

## 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](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](#).

- [MERGER10](#): Just days after the FDIC chair refused to advance a request for comment on bank-merger policy, the Department of Justice released one signaling agreement with many of the concerns Democrats aired in concert with the RFI.
- [GSE-122021](#): As [noted](#) on Friday, the Biden Administration's first FSOC systemic-risk hit list reiterates Trump Administration fears about [nonbank mortgage companies](#).
- [GSE-121721](#): As [noted](#) on Thursday, FHFA continues to tread carefully through the big-bank rulebook, adopting standards said to be like-kind that aren't quite so similar when it comes to critical details.
- [MERGER9](#): Released in a highly-controversial fashion (see below) by two Democrats on the FDIC's board, this RFI posits the need for a significant review of mergers involving insured depository institutions (IDIs) due to many changes in the financial industry and, so it says, the lack of substantive competitive analysis over past decades even of the largest transactions.

- [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.