FedFin Daily Briefing

Wednesday, January 26, 2022

CFPB As Good as Its word on Campaign vs. "Junk" Fees

Today, the CFPB acted on its promise to the President to counter "junk fees," announcing a new request for public input on "inflated and back-end" fees which Director Chopra says allow banks and other financial institutions to exploit average Americans. As before, the Bureau targets credit cards, overdrafts, and mortgages, now also adding payment-processing and small-business fees into an inquiry into the extent to which fees are "concealed" or otherwise anti-competitive and/or illegal. We will shortly provide clients with an in-depth analysis of the Bureau's request; comments on it are due by March 31.

In Side Note, Powell Backs SEC MMF Reforms

Although his press conference today almost entirely focused on monetary policy, FRB Chair Powell was also asked about asset price stability. He continues to stand by the Fed's financial stability report (see *Client Report* **SYSTEMIC92**) suggesting risk, while elevated, is within acceptable bounds. However, he for the first time noted that the SEC's MMF reform proposal (see FSM Report **MMF19**) is "very positive." While this is more than an abbreviated comment, it suggests Fed satisfaction with the Commission's swing-pricing focus and no near-term plans for additional actions that might address bank exposures to MMFs or sponsorship. Surprisingly, the Fed chairman downplayed the need for near-term Treasury market reform (see *Client Report* **TMARKET2**).

Partisan Battle Over Crypto Emerges on China Competition Bill

House Democrats' America COMPETES Act introduced yesterday includes several provisions of note addressing financial-stability risks seeming to emanate from China. Although there is broad bipartisan support to sanction China, HFSC Ranking Member McHenry (R-NC) today attacked the bill as a grab-bag of partisan provisions that fail to combat the rise of the Chinese Communist Party, targeting a provision that would grant Treasury "unchecked authority" to block digital currency payments.

The language in the bill – first proposed as an amendment to the FY22 NDAA by HFSC National Security, International Development, and Monetary Policy Subcommittee Chair Himes (D-CT) – would expand the Treasury Secretary's "special measures" authority under the Bank Secrecy Act to allow the imposition of conditions on or full prohibition against the transmittal of certain funds, including digital assets, if deemed by the Treasury Secretary to pose a primary money laundering concern. This provision was removed from the final NDAA before passage after significant lobbying from the crypto community; its inclusion in another bill many consider must pass suggests Democrats plan to try again. The bill also directs Treasury to report on any risks to U.S. financial stability or the global economy resulting from China's actions and to provide recommended mitigation. The report is due by year-end.

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.
https://fedfin.com/wp-content/uploads/2022/01/GSE-012422.pdf

- **GSE-012422**: A new Federal Reserve Bank of Atlanta study adds another element to those prior research argues are evidence of widespread racial discrimination in U.S. mortgage finance.

- **GSE-011422**: As noted in our in-depth analysis of Acting FHFA Director Thompson's confirmation hearing, it's clear that Democrats and Republicans are thinking hard about resurrecting statutory changes to the GSEs' charters.
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- **FEDERALRESERVE68**: At today's confirmation hearing, Gov. Brainard took a lot of the heat on inflation Republicans only mildly mentioned during Mr. Powell's Tuesday confirmation hearing (see Client Report **FEDERALRESERVE67**).

- **REFORM211:** As promised, FedFin begins our 2022 forecasts with this in-depth report on bank regulation.

- **FEDERALRESERVE67:** As promised yesterday (see *Client Report* **FEDERALRESERVE66**), we listened closely today to gauge the extent to which Chairman Powell faces a serious challenge to reconfirmation.
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- **FEDERALRESERVE66:** Many of you have asked us to forecast key policy implications ahead of two high-powered hearings this week considering President Biden's top Fed nominees.

- **GREEN12:** Issuing the first formal U.S. climate-risk proposal, the OCC is seeking comments on high-level risk-management principles to set the context for additional, more binding action governing larger U.S. banking organizations.

- **GSE-010322**: New economic commentary from the Federal Reserve Bank of Cleveland assesses several recent studies on homeownership from an investment perspective.

- **MMF19:** In the wake of noncommittal statements from global regulators on ways to address money-market fund systemic risk, the Securities and Exchange Commission has proposed sweeping changes to the 2014 standards adopted after the 2008 crisis.

- **GSE-122721**: Late last week, the NCUA put a small addition into the Christmas stockings already stuffed by the regulator over the past few months with numerous regulatory liberalizations.

- **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.

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