



# FedFin Weekly Alert

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Monday, February 28, 2022

## ❑ MONETARY POLICY PLAYS SECOND FIDDLE

Given the magnitude of geopolitical developments, we expect even Congress's acute concern about inflation to be secondary when Chairman Powell comes before HFSC and Senate Banking later this week. To be sure, there will be a lot of talk about energy prices and the extent to which these will accelerate price increases or decelerate tightening at the next FOMC meeting. Even so, Congress has more immediate concerns, one suitable to the geopolitical situation and the other mired in Congress's own high-priority politics. Thus, the hearings will also focus on:

**Sanctions:** As our most recent report ([see Client Report SANCTION16](#)) made clear, many Republicans are pressing hard for still tougher U.S. sanctions against Russia and its allies. Mr. Powell will thus be asked repeatedly what he thinks of current sanction policy and will repeatedly answer that deciding who and how to sanction is not the Fed's to decide. Where he will be forced to answer is on the extent to which the Fed will take a tough stand on sanctions violations -- he'll promise tough, tough enforcement -- and on SWIFT -- he'll likely note an array of considerations without taking a stand on whether the SWIFT plug should be pulled.

**Pending Nominations:** Mr. Powell will also be pressed for answers on the need for a full quorum on the Board (by Democrats) and if he supports Ms. Raskin (by Republicans). He'll do his best to defend the need for rapid action on all nominations without looking like he's most focused on himself and, if really pressed, also to defend Ms. Raskin if he believes the Reserve-Trust facts [bear this out](#).

**Climate Risk:** Speaking of Ms. Raskin, the Fed Chairman will also be grilled about the need for tough climate-risk intervention. He'll say what he always says about the importance of the issue and the need for more data on it, affirming also that the Fed won't tell any bank to whom it may or may not lend.

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## Headlines From the Past Week's Daily Briefings

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### February 21

No news of note.

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## February 22

- **CFPB Reiterates Need for Small-Business ECOA Reporting** - The CFPB has [reiterated](#) its plans to quickly enact new rules requiring small-business lender reporting ([see FSM Report FAIRLEND7](#)), asserting that demographic and pricing data are necessary to ensure fair credit to otherwise under-served small businesses.
- **G20 Ministerial Frets re Central Banks, CBDC, Climate, NBFIs** - Perhaps the most interesting aspect of the G20 finance ministerial [communiqué](#) is the new assertion that crafting effective exit strategies is not only critical to sustained and stable macroeconomic growth, but also to central-bank “credibility.”
- **FSB Looks for New Distressed-Debt Options Ahead of Lots More Debt** - The FSB has issued a new [discussion paper](#) seeking ways to exit widespread forbearance and central-bank programs during the pandemic that have increased the likelihood that highly-indebted corporate borrowers will experience severe distress as interest rates rise.
- **Agencies Give All-Clear for Special Credit** - The banking agencies, CFPB, FHFA, NCUA, and the Departments of Justice and HUD [issued a statement](#) on special-purpose credit programs.

## February 23

- **OCC FAQs Cast Some Light on Complex CRA Compliance Challenges** - Attempting yet again to calm national-bank concerns about their CRA obligations, the OCC issued [FAQs](#) laying out how it will judge CRA performance after [rescinding](#) the [Trump Administration's CRA standards](#) ([see Client Report CRA28](#)), returning rules to the 1995 regime, and agreeing to work with the other agencies on a wholly-new CRA construct.

## February 24

- **FHFA Tackles Tough Seller-Servicer Criteria** - After two tries [in 2015](#) and [2020](#) to set non-depository seller-servicer eligibility requirements, [FHFA tried again](#).

## February 25

- **CFPB Targets Auto Lending for Competition Make-Over** - The CFPB [outlined](#) the steps it plans to take to ensure that auto lending is fair and competitive.
- **Basel Plans Broad Digital, Crypto, Climate Work Plan** -The Chair of the Basel Committee, Spain's Pablo Hernández de Cos [reiterated](#) that Basel now plans to press its [final capital changes](#) and work with other regulators to finalize climate risk standards.

- **Fed Finds Financial Stability Just Fine, But That Was Then** - The monetary policy [report](#) that Chairman Powell will deliver includes a slightly revised discussion of financial stability which does not take current geopolitical hazards into account.
- **FHFA Eases GSE Capital to Increase CRT** - FHFA followed up sweeping action on mortgage servicers today with a finalized [capital rule](#)

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## This Week

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### Tuesday, March 1

Small Business Committee Hearing entitled: "Competition and the Small Business Landscape: Fair Competition and a Level Playing Field." [10:00 am, Rayburn House Office Building 2360] Witnesses: **Dr. Diana L. Moss**, President, American Antitrust Institute; **Dr. Carl Shapiro**, Distinguished Professor of the Graduate School at the University of California at Berkeley, University of California, Berkeley; **Dr. Douglas Holtz-Eakin**, President, American Action Forum.

### Wednesday, March 2

HFSC Hearing entitled: "Monetary Policy and the State of the Economy." [10:00am, webcast] Witnesses: **The Honorable Jerome H. Powell**, of Maryland, Chairman Pro Tempore of the Board of Governors of the Federal Reserve System.

### Thursday, March 3

Senate Banking Hearing entitled: "The Semiannual Monetary Policy Report to the Congress" [10:00am, Dirksen Senate Office Building 538] Witnesses: **The Honorable Jerome H. Powell**, of Maryland, Chairman Pro Tempore of the Board of Governors of the Federal Reserve System.

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## 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](#).

- **[SANCTION16](#)**: In this report, we address many of the questions we've received about U.S. policy in the wake of Russia's invasion into Ukraine.
- **[GSE-022422](#)**: As noted late [yesterday](#), the CFPB has gotten a jump on FHFA and the banking agencies with the first step towards a long-delayed AVM rule demanded in the [Dodd-Frank Act](#).
- **[CRYPTO25](#)**: Despite fierce partisan fighting over pending Fed nominations, today's Senate Banking hearing on stablecoin regulation was considerably more bipartisan than last week's HFSC session ([see Client Report CRYPTO24](#)).

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- [\*\*GSE-021022\*\*](#): Moving far ahead of the banking agencies [Al](#), FHFA [today](#) released a series of supervisory AI/ML standards for Fannie, Freddie, and CSS, perhaps leaving the FHLBs alone because none so far does much within this arena or nobody cared.
- [\*\*GSE-020922\*\*](#): Continuing her very different vision of Fannie and Freddie, FHFA Acting Director Thompson [today](#) has released a new strategic plan for the agency emphasizing the importance of both equitable and sustainable housing finance.
- [\*\*CRYPTO24\*\*](#): Today's HFSC hearing on stablecoins makes it clear that the bipartisan legislation Chairwoman Waters (D-CA) prefers is at best a long way off.
- [\*\*FEDERALRESERVE69\*\*](#): As this report details, all three Fed nominees before the Senate Banking Committee today emphasized the vital importance of Fed independence and their anti-inflation zeal to quell GOP opposition and cement it among moderate Democrats.
- [\*\*CONSUMER38\*\*](#): Taking action to advance President Biden's competition order, the CFPB is seeking views on fees which it believes exploit consumers by virtue of unfair competition.
- [\*\*GSE-020122\*\*](#): Nothing could do as much damage to a business based on fee revenue as a determined CFPB inquiry into fee revenue.
- [\*\*CBDC10\*\*](#): Months after initially promising to release a discussion draft on central bank digital currency (CBDC), the Federal Reserve is now seeking comment on whether and how it might create one.
- [\*\*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.
- [\*\*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](#)).