



FedFin Daily Briefing

Friday, February 25, 2022

CFPB Targets Auto Lending for Competition Make-Over

Late yesterday, the CFPB [outlined](#) the steps it plans to take to ensure that auto lending is fair and competitive. This initiative mirrors others ([see FSM Report CONSUMER38](#)) in which the Bureau seeks to deploy its consumer-protection powers to reshape markets. Now, the Bureau will monitor auto-loan outcomes to ensure that rising principal balances, longer tenors, LTVs, and other terms-and-condition changes do not adversely affect ability to repay. Structures where lenders rely on high rates and fees will garner immediate scrutiny, as will loan servicing and collection if borrowers are receiving forbearance or other favorable terms on a discriminatory basis. Technologies that facilitate repossession will also be evaluated to prevent disparate impact. The CFPB also plans to increase subprime-lender competition by determining the extent to which rates deemed unduly high require remedies from the FTC and Federal Reserve Board (with the Bureau here apparently meaning that one or both agencies could take antitrust or enforcement action).

Basel Plans Broad Digital, Crypto, Climate Work Plan

The Chair of the Basel Committee, Spain's Pablo Hernández de Cos [today reiterated](#) that Basel now plans to press its [final capital changes](#) and work with other regulators to finalize climate risk standards. An array of "deep-dive analyses" are planned on fintech and cryptoassets, publishing initial conclusions on these topics and AI in "coming months." Basel will now also look for supervisory insight on concentration-risk management and reliance on third- and even fourth-source service providers. It also plans to "manage" NBF1 risk, with no indication provided as to what is intended in this regard.

Fed Finds Financial Stability Just Fine, But That Was Then

The monetary policy [report](#) that Chairman Powell will deliver next week includes a slightly revised discussion of financial stability which does not take current geopolitical hazards into account. It continues to state that the large banks essential to the financial system remain resilient, record levels of consumer indebtedness are not of concern, and nonbank financial entities have largely reduced their leverage despite worrisome levels at hedge funds and life insurers. Hedge funds and digital assets may present systemic risk now being monitored by the Fed, which is also taking stock of the LIBOR transition. As noted, ([see Client Report SANCTION16](#)), we expect next week's hearings to focus on sanctions, the role cryptocurrencies may play in evading them, and -- to a lesser degree -- whether the Fed needs to speed its CBDC work to protect U.S. economic power.

FHFA Eases GSE Capital to Increase CRT

FHFA followed up sweeping action [yesterday](#) on mortgage servicers today with a finalized [capital rule](#). As promised, the rule replaces the current fixed leverage ratio with a dynamic one designed to ensure that risk-based capital is the only binding constraint for Fannie Mae and Freddie Mac. The revisions also sharply drop the capital rules for credit risk transfer exposures, promoting FHFA's new objective of CRT maximization, with the rule also reducing the requirement for a GSE to judge the overall effectiveness of its CRT program to win capital relief. We will shortly provide clients with an in-depth assessment of the GSEs' capital construct that takes these changes into account; While they may all somewhat speed the GSEs' return to some form of ownership outside the conservatorship, none is material enough to make this transition possible over the next five years unless or until the market absorbs GSE risk on a regular and even more sizeable basis.

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](#).

- **[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](#)).
- **[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](#)).