



FedFin Daily Briefing

Thursday, March 17, 2022

Fed, FHFA Leadership Advance

As anticipated [last night](#), the Senate Banking Committee yesterday advanced all the Fed nominations and that of Sandra Thompson as FHFA director. However, Lisa Cook's nomination was tied on a strictly partisan basis, meaning that it was not approved by Senate Banking but is nonetheless discharged to Senate Majority Leader Schumer (D-NY). He will now decide how to proceed but will doubtless bring her nomination to the floor with the others. There, it will almost surely advance even if there is a tie vote unless Sen. Manchin (D-WV) again differs with his party. He has not indicated any intention to do so, but is prone to making his intentions clear only at a point of maximum impact (i.e., closer to an actual vote). We do not expect this vote to await a new nomination from the White House for the Fed's supervisory vice chair; negotiations here along with vetting may take time and Mr. Powell reiterated [again](#) that the Fed can operate without interruption even in the absence of an appointee to this position.

HFSC Hikes Array of Anti-Russia Sanctions

In the first of a series of markups, HFSC today approved 5 bills ramping up sanctions against Russia and Belarus. The most controversial of them, H.R. 7080 (Waters, D-CA), would broaden FinCEN's ability to obtain information about the transactions of Russian oligarchs in the US. It elicited fierce debate over whether to grant FinCEN unlimited geographic tracking power related to Russian oligarchs through shell companies or non-sanctioned individuals. Democrats cited oligarch sanctions evasion, but Republicans generally criticized FinCEN and sought language limiting its investigative authority in various ways. The bill nonetheless passed 26-23.

The remaining four bills were reported to the House without issue via unanimous voice votes. These measures include H.R. 7081 (Garcia, D-IL), a bill to direct the Treasury to encourage international organizations to forgive Ukrainian debt, H.R. 7066 (Sherman, D-CA), a bill to require foreign subsidiaries of American companies to comply with US sanctions, H.R. 6891 (Wagner, R-MO), seeking to bar Russian officials from international organizations such as the G20, and H.R. 6899 (Hill, R-AR), a bill to prohibit the Treasury from exchanging Russian Special Drawing Rights for hard currency. We expect these bills to be incorporated into broader sanctions legislation taken up early next week.

Chopra Uses Rate Hike to Press Competition Inquiries

Describing the CFPB as "the arm of the Federal Reserve System that is fully focused on consumers," Director Chopra [today](#) issued a statement following yesterday's rate hike. Reflecting his prior comments about anti-competitive effects limiting deposit returns ([see Client Report CONSUMER37](#)), the statement tells consumers to search for higher rates and stating that the Bureau is on watch for market failures in this area as well as for any abuses related to loan pricing. The release provides no criteria for what might constitute anti-competitive behavior in any of these markets.

Senate Democrats Take Turns Whacking Wells Fargo

Senior Democrats today took sharp issue with Wells Fargo's refi lending, asserting it was discriminatory and seeking an array of data from the bank and action by federal agencies. Senate Banking Chairman Brown (D-OH), Majority Whip Durbin (D-IL), and other [senators](#) called on HUD and the CFPB to investigate findings in a recent Bloomberg [story](#), confining their comments to a general attack on discrimination without setting a date for a reply or any specific matters the agencies are to review. We nonetheless expect both agencies and perhaps most especially the Bureau quickly to demand anything from the bank they have yet to request and produce a high-profile response should they determine that discrimination may in fact have occurred. FHFA may also undertake its own investigation given its focus on fair lending and [plans](#) to pursue

counterparties who may not comply with federal or agency standards.

Separately, Sens. Warren (D-MA) and Wyden (D-OR) wrote directly to the [bank](#), demanding a set of answers to these allegations and additional documents by March 28 and repeating prior criticisms of the company (which has denied them).

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](#).

- [SANCTION17](#): The Senate Banking Committee's hearing today on illicit finance focused as expected on cryptocurrency and suggests that targeted legislation addressing specific jurisdiction or compliance issues might advance on a bipartisan basis.
- [GSE-031522](#): Although we have done extensive analysis of a U.S. central-bank digital currency (CBDC) in our sister analytical service, we have not viewed as it as an imminent strategic consideration for housing-finance agencies and financial institutions.
- [CRYPTO26](#): We follow our initial client alert here with an in-depth analysis of President Biden's long-awaited [executive order](#) laying down steps intended quickly to construct a U.S. digital-asset policy construct.
- [GSE-030722](#): A new Urban Institute study suggests that banks are more likely to discriminate when it comes to minority borrowers, heightening concerns at a time with increased political risk related to racial equity and mortgage finance.
- [GSE-030122](#): As we noted late [last week](#), FHFA has finalized revisions to its [2020 capital rule](#) that most importantly lighten the GSEs' capital load and reinvigorate credit risk transfer.
- [GSE-022822](#): Responding to continuing FSOCC complaints about [nonbank servicers](#), FHFA has proposed [new seller-servicer eligibility standards](#) that crack down hard on any nonbank servicer whose size evokes systemic qualms.
- [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 [AI](#), 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.