



FedFin Weekly Alert

Monday, April 25, 2022

❑ RECIDIVIST WITNESS TACKLES REPEAT OFFENDERS

Later this week, CFPB Director Chopra will appear at what are sure to be acrimonious sessions before the House Financial Services and Senate Banking Committees. Laying some pipe ahead of time, Mr. Chopra joined New York's AG in taking [action](#) against another firm he characterized as a "repeat offender," tracking rhetoric in a prior "repeat-offender" [suit](#) but not – at least so far – trying to drive these firms out of business. We expect this repeat-offender initiative to be one focus of Mr. Chopra's testimony and perhaps also a topic on which Chairwoman Waters (D-CA) will engage to highlight her longstanding effort to punish non-compliant "megabanks" ([see FSM Report GSIB11](#)). These hearings will, though, witness far more than a few more notches on Mr. Chopra's belt. The hearing thus will focus on hot-button issues such as student lending, medical debt, and the employer practices highlighted in Member [posts](#) late last week. We'll also be listening for more on:

- **UDAAP:** Perhaps the most consequential of the Bureau's many recent actions is its exam-manual rewrite expanding the range of unfair, deceptive, and abusive acts or practices not just to discrimination, but also to pretty much anything the agency doesn't much like ([see FSM Report CONSUMER39](#)). Congressional Republicans will question this interpretation of law and the agency's administrative approach to expressing it; Democrats will like it a lot. Courts thus will have to decide, but until they do, UDAAP is a heavy cudgel that Mr. Chopra clearly intends to wield.
- **Bank Mergers:** Republicans will take Mr. Chopra very much to task for pressing the FDIC to issue the RFI on merger policy that finally came out for comment when Mr. Gruenberg became acting chair ([see FSM Report MERGER10](#)); Democrats will applaud this and urge a tough stand on big-bank deals.
- **Competition:** Many of the CFPB's actions are framed in the director's fierce attack on what he views as anti-competitive institutions or unduly concentrated markets. He has thus called consumer reporting agencies "[cartels](#)" and assured community banks that he will do what he can to ensure that core service providers demand only fair compensation from smaller banks (an issue almost surely outside the CFPB's jurisdiction despite the directors' belief that low payment-services fees are key to continuing "relationship banking"). Mr. Chopra has also [signaled](#) that banks which fail to recognize Fed rate hikes in deposit pricing are suspect monopolists, an issue sure to take on momentum as the Fed does what it can to tackle record-high inflation.
- **"Junk" Fees:** The Bureau is also taking on fees ranging from credit-card [late charges](#) to [overdrafts](#) and [mortgage servicing](#) in its attack on "junk fees" ([see FSM Report CONSUMER38](#)). Some firms may end up deemed UDAAP, some may just find themselves

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targeted in Bureau consumer outreach, and pretty much all are sure to be among those on which Democrats demand action even if the CFPB's price-setting powers are far from certain.

- **Small-Business Lending:** The Bureau has yet to finalize its controversial ECOA-reporting rule ([see FSM Report FAIRLEND9](#)). We expect Mr. Chopra to make clear he's standing by proposals such as collecting pricing data as well as the demographics expressly required by the Dodd-Frank Act, statements sure to make Democrats happy even as Republicans wince.

Headlines From the Past Week's Daily Briefings

April 18

- **IMF Flags Systemic Sovereign-Debt Exposures, New Doom Loop** - The IMF's new assessment of global [markets](#) includes a very troubling finding: the doom loop is reverberating in several systemically significant nations.
- **IMF Panel Highlights Disagreements on CBDC Designs** - At a session on cryptoassets and CBDC during the IMF annual meetings, Managing Director Georgieva noted that the future of money was virtual, but emphasized that the need for interoperability, agile regulation, and protections against money laundering and terrorism pose the biggest barriers for governments.

April 19

- **CRA Reform Still in "Soon" Timeframe** - In [remarks](#), Acting Comptroller Hsu provided only a little insight into ongoing negotiations over a new CRA proposal, reiterating that one will "soon" be released.
- **IMF Warns of Payment-System Fragmentation, Dealer-Bank Commodity** - The IMF released more of its annual global financial [report](#), going beyond the assessment of the renewed sovereign doom loop we addressed in FedFin [alert](#) to consider other financial-stability risks and call for quick action on a new fintech/crypto regulatory framework.
- **Fed Finds Nonpublic Prime Funds More Resilient** - As the SEC contemplates MMF reform ([see FSM Report MMF19](#)), the Fed has continued to issue reports highlighting vulnerabilities that the central bank likely feels are only partially addressed by the Commission's preferred liquidity fix: swing pricing.
- **IMF Calls for Fast, Tough Fintech, DeFi Regulation and Supervision** - The IMF's overarching financial-stability report not only deals with the structural risks addressed earlier today, but also those posed by fintechs and DeFi.
- **Carstens Endorses Fed's Cautious CBDC Stance** - In a discussion about the future of digital money during the IMF annual meetings, BIS General Manager Carstens endorsed Federal Reserve Chairman Powell's cautious approach to creating a CBDC ([see FSM Report CBDC10](#)), citing the critical importance of reliability to CBDC success.

April 20

- **FSB Targets Commodity Markets, Prime Brokers** - In his letter to G20 ministers, FSB head Klaas Knot observes remarkable financial resilience to date but states that many worrisome concerns remain.

- **U.S. Expands Demands for New International Financial Order** - Building on her comments outlining a new [international financial order](#), Treasury Secretary Yellen called on the World Bank and its related organizations to go beyond current activities to address the cross border risks resulting from climate change, health, migration, and “fragility.”
- **US Expands Sanctions Reach to Payments, Crypto** - The U.S. took two first-time actions in sanctioning Russia with far-reaching implications for the future of money and payments.
- **GOP Tries Again to Halt Postal-Banking Pilot** - Continuing their strong opposition to postal banking, Ranking HFSC Member McHenry (R-NC), Ranking Oversight and Reform Committee Member Comer (R-KY), and Ranking Consumer Protection and Financial Institutions Subcommittee Member Luetkemeyer (R-MO) sent a [letter](#) to Postmaster General Louis DeJoy slamming USPS for overstepping its statutory authority by extending what they call its “failed” postal-banking pilot program.

April 21

- **G20 Ministerial Ends in Disarray** - The G20 finance ministerial was chaotic in ways not captured even by the public walk-out to protest Russia’s invasion well highlighted in recent [media coverage](#).
- **CFPB Pursues Another “Repeat Offender” with Court Action** - Continuing the CFPB’s commitment to tackle “[repeat offenders](#)”, the Bureau and New York Attorney General today filed a [suit](#) against MoneyGram alleging that the company – despite prior enforcement actions – stranded customers waiting for their money, botched error-resolution instructions, and lacked policies and procedures to ensure compliance.
- **Powell Ducks Globalization Debate** - At a [debate session](#) during the IMF annual meeting, Chairman Powell reiterated prior statements on monetary policy, for example that a fifty basis point rate hike may be appropriate, a point reinforced by his comment that the U.S. faces higher core inflation than the E.U. even though the E.U. has higher price increases in food and energy costs.

April 22

No news of note.

This Week

Tuesday, April 26

Senate Banking Hearing entitled: “The Consumer Financial Protection Bureau’s Semi-Annual Report to Congress.” [10:00 am, Dirksen Senate Office Building 538]. Witness: **The Honorable Rohit Chopra**, Director, Consumer Financial Protection Bureau.

Wednesday, April 27

HFSC Hearing entitled: “Consumers First: Semi-Annual Report of the Consumer Financial Protection Bureau.” [10:00 am, webcast]. Witnesses not yet available.

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Thursday, April 28

HFSC Hearing entitled: "Oversight of the Financial Crimes Enforcement Network." [10:00 am, webcast]. Witnesses not yet available.

HFSC Task Force on Financial Technology Hearing entitled: "What's in Your Digital Wallet? A Review of Recent Trends to Mobile Banking and Payments." [2:00 pm, webcast]. Witnesses not yet available.

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](#).

- **[GSE-042122](#)**: In our last CRT [analysis](#), we looked at transaction viability under the Basel IV rewrite set for rapid release once key Fed nominees are finally confirmed.
- **[GSE-042022](#)**: As we noted [yesterday](#), the IMF's financial-stability [report](#) includes a searing assessment of fintech risk.
- **[CBDC11](#)**: As [promised](#), we turn here to an in-depth analysis of a [paper](#) from global regulators on whether CBDC contributes to financial inclusion – one of the most vital arguments from those advocating CBDC in the U.S. and in many other nations.
- **[GSE-041522](#)**: Cementing her very different vision of Fannie and Freddie, Acting Director Thompson has now finalized a new strategic plan for the FHFA emphasizing the importance of both equitable and sustainable housing finance
- **[CBDC11](#)**: Progressive Democrats in the House have introduced an alternative digital-dollar proposal ("e-cash") to the "FedAccount" construct urged by Senate progressives that mandates an electronic currency created by the Treasury Department to devise an electronic substitute for physical fiat currency.
- **[GSE-040722](#)**: FHFA has finalized new [capital rules](#) for the GSEs designed to accelerate the credit-risk transfer the agency now deems essential for a fast-acting conservatorship exit.
- **[SANCTION18](#)**: As [anticipated](#), today's HFSC hearing with Secretary Yellen largely focused on ways to sanction the Russian Federation and its allies and associates.
- **[DEFI](#)**: As [promised](#), this report provides an in-depth analysis of IOSCO's new [paper](#) on decentralized finance, one sure to advance the [FSB's](#) efforts to bring DeFi systems under greater regulatory scrutiny due to the findings we here detail.
- **[GSE-032222](#)**: As detailed in our new in-depth [analysis](#), the CFPB's [exam-manual rewrite](#) dramatically redefines the compliance-, legal-, and reputational-risk terrain for any consumer-financial company and the vendors or counterparties on which it relies.
- **[CONSUMER39](#)**: Reflecting one of its new director's top priorities as well as that of the Biden

Administration, the Bureau of Consumer Financial Protection has significantly revised its examination manual when it comes to behavior that might be viewed as discriminatory in a wide range of consumer-financial products, services, underwriting, advertising, marketing, governance, and other arenas.

- **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.