



FedFin Daily Briefing

Monday, April 25, 2022

HFSC Revs Up Repeat-Offender Legislation

As [anticipated](#), the HFSC [memo](#) ahead of its hearing on Wednesday with CFPB Director Chopra covers a wide range of issues, actions, and CFPB priorities. The memo also lists many bills pending in the House that touch on the CFPB, but, importantly, also announces a new draft measure to mandate that the banking agencies not only join the CFPB in its [campaign](#) to sanction large "repeat offenders", but also stipulates stiff penalties in such cases based in part on a longstanding measure from Chairwoman Waters (D-CA) to break up "megabanks" found to have repeat compliance failures ([see FSM Report GSIB11](#)). This measure will face significant obstacles to final action in both the House and Senate, but could nonetheless be approved in an HFSC mark-up and give the Bureau both political legitimacy for its own [efforts](#) and grounds to pressure the banking agencies.

CFPB Claims Expansive Authority over Nonbank Consumer-Finance Companies

Invoking what it describes as "dormant" authority, the CFPB [today](#) announced that it will extend its supervisory authority to nonbanks such as fintechs now not expressly covered by its procedures, doing so also for any nonbank consumer-finance company reasonably found by the Bureau to pose consumer risk. Building on its UDAAP examination manual ([see FSM Report CONSUMER39](#)), the Bureau also states that actions these nonbanks may take that warrant supervisory intervention include anything the CFPB considers UDAAP, today proposing a procedural rule laying out how these risk determinations could be made. The Bureau appears intent on pursuing actions under its authority to govern these risk-prone nonbanks even as this procedural proposal is outstanding; an in-depth FedFin report will analyze this along with the broader implications of the agency's action, which clearly lays the groundwork for CFPB supervisory intervention with bigtech firms along with the fintechs, nonbank mortgage companies, and others named in the release.

FRB-PHL Finds Worrisome Signs of Mortgage Risk

The Federal Reserve Bank of Philadelphia today [announced](#) a monthly survey of mortgage-market risk, concluding in its first analysis that foreclosure rates are in moderate bounds but significant risk pockets are concerning. These include the fact that the Black past due rate is 6.9 percent compared to three percent for whites. Further, while about 45 percent of seriously delinquent loans are in loss mitigation, nearly three quarters of these borrowers are not paying as required. The ability of servicers to execute on the FHA/GSE home-retention programs is also found to be troubling, suggesting significant foreclosures are possible despite extensive forbearance loss-mitigation initiatives.

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.