



FedFin Daily Briefing

Monday, May 16, 2022

When the Fed Goes from Whatever-It-Takes to Anything-We-Can-Think-Of

On Thursday, the *Washington Post* included an article on all the ways in which inflation hurts middle-income [families](#), the acute shortage of [baby formula](#), and the [cooking-oil](#) shortage's cost impact in places ranging from a D.C. shop selling doughnuts to sub-Saharan Africa. Other articles chronicled [stablecoins' instability](#) even as stock markets wobbled precariously above going so deeply into correction that investors are not just chastened, but also cudged. The same day, Chairman Powell won his second term by a wide margin even as he told [Marketplace](#) that he couldn't promise a soft landing, didn't mean to commit the FOMC to only fifty basis-point hikes, and knows how hard inflation hits for most households while being unsure that the Fed can do much about it. What markets make of this muddle remains to be seen by those not too faint of heart to look. What I know it means is that a White House under acute political pressure will ultimately do its best to transfer blame from 1600 Pennsylvania Avenue to 20th and Constitution at considerable cost to coherent policy.

CFPB Warns Wayward Mortgage Servicers

The CFPB released a [report](#) today showing that only a relatively small number of homeowners – about 330,000 – are struggling with mortgage modification after forbearance ended late last year. Even so, the agency says that some mortgage servicers are not abiding by applicable rules by, for example, failing to collect data on a borrower's preferred language or having inadequate call centers. The Bureau thus encourages mortgage servicers to enhance their outreach to borrowers exiting forbearance and to closely monitor and assess demographic data and outcomes, noting that ensuring compliance is among its top priorities.

White House Recasts Old Housing Policy for New Political Problem

Reflecting continuing political pressure from [rising costs](#), the White House this [morning](#) announced what it calls new programs to increase housing supply in ways it says would lower costs. Little in the plan is new, with much of it recounting ongoing work to, for example, reduce NPL sales to investors in favor of those to owner-occupants and community groups. The Administration's list of legislative initiatives also recaps long-stalled proposals – e.g., down payment assistance – mired in the second big spending bill. However, the plan does call for new programs aimed at financing both construction lending and a residential mortgage purchased by Fannie Mae, not mentioning Freddie Mac nor indicating what FHFA thinks of this program. We would assume it has endorsed it, but no statement to that effect has yet been released.

CFPB Takes to Circulars to Extend, Expand Jurisdiction

Following up on his announcement ([see Client Report CONSUMER40](#)) that the CFPB plans to rewrite consumer-protection standards promulgated by other agencies, Director Chopra [today](#) took the unusual step of describing processes by which the CFPB will determine key enforcement criteria via circulars to promote enforcement consistency and fair competition. This creates an avenue via which the Bureau can change the de facto impact of a wide range of consumer standards without going through the administrative rulemaking process. The statement describes the Bureau as the primary enforcement authority over an array of statutes that also fall under other agencies' jurisdiction, emphasizing how this would ensure fair competition between banks and nonbanks, a goal the agency also has pursued through a recent administrative action expanding its authority to fintechs and other nonbanks ([see FSM Report CONSUMER41](#)). Although this new policy will be implemented without rulemakings, the Bureau will issue circulars stating its position on which post hoc public comment will be invited. Given Mr. Chopra's earlier comments, credit-card lending may be the first subject of these circulars, but a wide range of issues related to bigtech, fintech, and banking are doubtless also on the to-do list.

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-051622](#): As we [noted](#) last week, the federal banking agencies sighed a mighty sigh and heaved up a massive inter-agency [proposal](#) rewriting decades-old standards detailing which activities earn the Community Reinvestment Act (CRA) points essential for any bank's strategic objectives and national reputation.
- [FSOC27](#): With stablecoin markets even more distressed than earlier in the week, today's HFSC hearing with Secretary Yellen was even more emphatic than senators two days before on the need for action ([see Client Report FSOC26](#)).
- [FSOC26](#): Today's Senate Banking Committee hearing with Secretary Yellen renewed calls for federal legislation based on recent algo-coin losses and resulting digital-currency market volatility.
- [SYSTEMIC93](#): In this report, we assess the new Federal Reserve financial-stability [report](#).
- [CRA31](#): The FDIC today led the way with release of a long-awaited inter-agency [proposal](#) updating decades-old CRA regulation.
- [CLIMATE13](#): The FSB's report is aimed at establishing global standards that prevent fragmentation along national or regional lines as well as ensuring that regulatory and supervisory actions mitigate climate risk to the greatest extent possible in the face of an array of data and measurement challenges.
- [INTERCHANGE9](#): As anticipated, bankers and card networks squared off with merchants at today's

Senate Judiciary hearing addressing credit-card interchange fees.

- **[GSE-042822](#)**: In this note, we expand on our analysis of the CFPB's new campaign against [nonbank financial institutions](#) to look more deeply at its impact on residential-mortgage finance.
- **[CONSUMER42](#)**: Today's HFSC hearing with CFPB Director Chopra plowed much ground broken yesterday before the Senate Banking Committee ([see Client Report CONSUMER40](#)), but several new furrows were also unearthed.
- **[CONSUMER41](#)**: Using what it describes as "dormant" authority, the CFPB is seeking comment on a rule setting the procedures under which it expands its authority to nonbank financial companies it believes pose consumer-protection risk.
- **[CONSUMER40](#)**: The Senate Banking Committee's hearing today with CFPB Director Chopra was a sharply partisan session with little immediate impact on what Mr. Chopra plans to do to achieve his sweeping new vision.
- **[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.
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