



# *FedFin Daily Briefing*

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Friday, June 24, 2022

## **ILC, Overdraft Bills Face Tough Path to Passage**

The vote is now out on H.R. 5912, Rep. Garcia's (D-IL) bill to circumscribe ILC charters ([see FSM Report ILC13](#)). As we noted during the [mark-up](#), the final bill includes modified grandfather language designed to protect existing parent companies without giving them future protection from BHC-like standards. The bill passed narrowly – 28-25 – and is likely to face a still more challenging time on the House floor. We expect it to be brought up and pass, but the lack of companion Senate legislation makes enactment at best uncertain.

There were also continuing efforts throughout yesterday afternoon to advance H.R. 4277, Rep. Maloney's (D-NY) overdraft-reform bill. This bill is similar to her longstanding proposal ([see FSM Report OVERDRAFT4](#)), but included a controversial option for a 24-month moratorium on all overdraft and NSF fees. Combined with some Democratic opposition based on the view that overdrafts have been largely reformed and more restrictions would benefit only payday lenders, this provision stalled the bill. We believe it is now dead in this Congress, leaving the question of future overdraft standards in the CFPB's hands.

## **HFSC Wants Tough New Broker-Dealer Standards**

HFSC's investigative report [today](#) on the meme-stock crisis takes a strikingly different approach than the [SEC's pending rule](#). While the Commission is focused on circumscribing payment for order flow and other market practices, HFSC principally targets broker-dealer resilience and the role of the DTCC and other critical market infrastructure. It thus calls on Congress, the SEC, the DTCC, and the NSCC to create a new emergency-liquidity facility for clearing brokers and lays out an array of safety-and-soundness standards it wants the SEC and FINRA to mandate. These include express capitalization requirements and liquidity standards for clearing brokers and stress tests for large retail-facing broker dealers. The report also details other changes to law the committee thinks advisable, but the panel is unlikely to turn to more than hearings on these issues in this Congress. The SEC and FINRA may take up some of these suggestions for prudential standards, but their ability to do so is unclear despite this call for them to intervene.

## **GOP Targets Thompson**

Picking up their complaints about HFSC's housing focus from Wednesday's [mark-up](#), Committee Republicans [today](#) called on Chairwoman Waters (D-CA) to bring FHFA Director Thompson before the panel. They are concerned about the safety and soundness of the housing finance system amid increasing recession forecasts, highlighting the urgent pressures of higher mortgage rates and declining household income. They also take strong issue with Ms. Thompson's decision earlier this year to revise [GSE capital rules](#), arguing that this action erodes GSE resilience at a time of growing macroeconomic stress. Although Rep. Waters remains interested in GSE reform and may have a hearing featuring the FHFA director in this Congress, this GOP plea may lead her to delay or even defer it in light of the animosity between both sides of the aisle in this panel and the House.

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## Recent Files Available for Downloading

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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](http://www.fedfin.com) or clients may obtain the reports/analyses by e-mailing [info@fedfin.com](mailto:info@fedfin.com) giving the requested item name, firm, and e-mail address. To learn more about *GSE Activity Reports*, click [here](#).

- **FEDERALRESERVE71**: At today's HFSC hearing, Chairman Powell encountered the same political headwinds evident at yesterday's Senate Banking session ([see Client Report FEDERALRESERVE70](#)), reinforcing and even heightening his commitment to fighting inflation in concert with hopes that a soft landing may still be possible.
- **GSE-062322.pdf**: Following a sharp critique of GSE capital standards earlier today [from the Urban Institute](#), FHFA Director Thompson [today acknowledged](#) Fannie and Freddie's new 50 bps fees when one of the GSEs guarantees the other's collateral for UMBS purposes.
- **FEDERALRESERVE70**: As we [expected](#), today's Senate Banking session with Chairman Powell is a preview of broader national debate ahead of the midterm election.
- **CLIMATE14**: The Basel Committee has finalized its proposed climate-risk management principles largely unchanged from its proposal, establishing over-arching goals at which both banks and their supervisors are asked to aim.
- **CONSUMER43**: Combining some of its outstanding initiatives and adding new ones, the CFPB is seeking information on how well larger banks and credit unions serve consumers and what steps may be needed to make them do better.
- **GSE-061522**: Today's report to Congress is FHFA's first foray into expressing a statutory opinion since Sandra Thompson took over, a change doubtless due to her newly confirmed status and the will to tackle hard questions in which Congress has only nominal interest in the absence of another crisis.
- **CRYPTO28**: After protracted negotiations and much public attention, bipartisan senators have introduced a far-reaching bill designed to encourage digital-asset use without undue risk to consumers, investors, or the financial system.
- **GSE-060922**: When Sandra Thompson earlier this year enunciated a new equitable-finance mission, we [forecast](#) that Fannie and Freddie would undertake an array of new activities that significantly expand their footprint along with their equity and equality impact.
- **GSE-060722**: FHFA released its first-ever [report](#) on the extent to which Fannie, Freddie, and the FHLBs meet their statutory mission.
- **GSE-060222**: Following on the heels of new [capital disclosures](#), FHFA has [finalized](#) a planning process designed to ensure that GSEs have something good to say when they post these reports, reassuring markets and perhaps even speeding the way out of conservatorship.
- **GSE-060122**: As detailed in our [new in-depth report](#), the CFPB has issued another sweeping rule by way of a seemingly innocuous circular not subject to public notice and comment.
- **FAIRLEND11**: Continuing its use of novel rulings that preclude public notice and comment, the CFPB has issued a landmark ruling on artificial intelligence (AI) and other forms of algorithmic underwriting stipulating lender responsibility for sending out the adverse action notices required under the Equal

Credit Opportunity Act (ECOA).

- **[GSE-052722](#)**: FHFA has [finalized](#) its October [proposal](#) to create a new qualitative capital and governance disclosure regime, going well beyond the disclosures initially mandated in the final capital [rule](#) to instill market discipline long associated with private companies, not conservatorships.
- **[CBDC13](#)**: Newly in place as Fed Vice Chair, Lael Brainard today made it clear at an HFSC full committee hearing that her prior statements laying out CBDC benefits are still her thinking despite the considerably more ambivalent approach outlined in the Fed's discussion draft ([see FSM Report \*\*CBDC10\*\*](#)).