



FedFin Daily Briefing

Monday, June 27, 2022

FRB-Richmond: Reform MMFs or End Prime Institutional Funds

A new [paper](#) from the Federal Reserve Bank of Richmond authored in part by the Bank's former president argues that the heart of prime MMF risk is continuing expectation of a Fed backstop under stress. As a result, swing pricing or other changes proposed by the SEC ([see FSM Report MMF19](#)) are, they say, unlikely to reduce systemic risk. They thus recommend that MMFs be required to have pre-positioned liquidity support backstops above and beyond the additional liquidity that would be mandated for MMFs in the SEC proposal. These additional backstops could include MMF capital standards, liquidity commitments from CP issuers, bank-provided liquidity lines, and/or living wills. Finally, the paper notes that retail and government MMFs remain robust under acute stress, suggesting that the need for prime institutional funds be reconsidered in its entirety.

HFSC Plans Look at Mortgage Discrimination, Servicing

HFSC Democratic staff [today](#) released plans for the full committee's hearing this Wednesday on mortgage finance and economic equality. It will look at the hot housing market and the extent to which it affords wealth accumulation to low-and-moderate-income households and those of color, with the memo noting an array of obstacles to home ownership such as the inability to save for down payments, obstacles to FHA loans, and the prevalence of cash buyers (a matter also to be taken up by the panel tomorrow). The staff memo also asserts that there are inequities related to refi availability and appraisal discrimination, with the session intended to create a record on pending legislation to provide down payment assistance, support housing via numerous provisions in the stalled Build Back Better bill, and codify CFBP mortgage-servicing [regulations](#).

CFPB Details Immigrant Financial Challenges

The CFPB today released a [blog post](#) asserting that financial institutions make it unduly difficult for immigrants to obtain financial services. Barriers include those to account and language access, vulnerability to predatory actors, and refugee or newcomer-specific challenges such as a lack of credit history and legal protection. However, the post does not indicate any firm CFPB plans to tackle these obstacles, noting only that it invites complaints in this area. These may lead to future advisories, rulings, or regulations, but no timeline is noted even if such action is contemplated.

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-062722](#): A new Fed [paper](#) analyzes the striking differences between mortgage-market liquidity – or the dramatic lack thereof – in the great financial crisis of 2008 and the pandemic crisis of March, 2020.
- [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).