



FedFin Weekly Alert

Monday, July 18, 2022

❑ HOME IN THE OK CORRAL

On Wednesday, FHFA Director Thompson will come before HFSC for what will be an important discussion of housing policy under the newly-confirmed director if Members of Congress allow policy substance to supersede political battles over who is responsible for inflation for which dastardly reason. In hopes of substance, we'll monitor the hearing and provide you quickly with an in-depth analysis. Senate Banking is also looking into house prices and we'll be listening there as with HFSC for substance on matter such as:

- Whether FHFA is amenable to the limits on new GSE programs pressed recently by [HFSC Republicans](#);
- If the GSEs' capital rules will change to promote more CRT and for-sure [uniform MBS](#);
- If Director Thompson thinks Fannie and Freddie can ever come out of conservatorship and, if so, when and how;
- Whether any of the recent FHLB fuss will prompt Ms. Thompson to convene the advisory committee she [contemplates](#) or go farther;
- What types of special-purpose credit programs are contemplated to advance [equitable finance](#);
- The pace of LIBOR replacement and the need for additional fed regulation ([see FSM Report LIBOR7](#));
- What's to come in terms of servicer eligibility standards;
- How open FHFA is to alternative forms of loan-level credit enhancement;
- New programs for mobile housing and other affordable options; and
- What the GSEs can do to improve overall housing affordability.

Headlines From the Past Week's Daily Briefings

July 11

- **Fed Develops a Measure of Operational-Risk Exposures** - In a research note, Federal Reserve staff proposed a new approach to quantifying a bank's operational-risk exposure, a timely contribution to the debate sure to rage when the U.S. advances Basel's proposed rewrite of operational-risk-based capital requirements ([see FSM Report OPSRISK18](#)).
- **FSB Highlights Crypto, Stablecoin Risk** - The FSB issued an unusual [statement](#) warning of cryptoasset risk. Rejecting the BIS's more sanguine view that stablecoins and other digital assets have yet to [prove](#), the FSB warns that inter-connectivity with the financial system already poses grave hazard.

Federal Financial Analytics, Inc.
2101 L Street, N.W. – Suite 300, Washington, D.C. 20037
Phone (202) 589-0880
E-mail: info@fedfin.com www.fedfin.com

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- **HFSC to Consider CRA Reform, Rewrite** - As [noted](#), the HFSC Consumer Protection and Financial Institutions Subcommittee will consider the inter-agency CRA rule ([see FSM Report CRA32](#)).
- **Basel Committee Will Be Slow to Advance Climate-Risk Capital, Disclosure Standards** - The head of the Basel Committee, Pablo Hernández de Cos, [reiterated](#) that global bank regulators are dedicated to a cautious but determined set of climate-risk standards.
- **BIS Group Charts Course to Cross-Border CBDC** - As part of the G20 cross-border payments roadmap, the BIS, IMF, and World Bank released a joint [report](#) urging governments working on a CBDC to coordinate their designs and account for cross-border functionality early in their process.
- **FRB Atlanta Blog Refutes Dem's Zelle Allegations** - In the wake of a [letter](#) sent by Senate Democrats alleging Zelle of mishandling fraud, FRB Atlanta published a blog post defending the payments industry in cases where customers willingly authorize a fraudulent payment.
- **Chopra Promises to Promote Fierce Competition** - CFPB director Chopra [reasserted](#) his agency's authority over ensuring financial-market competitiveness, describing recent actions against credit-card companies ([see FSM Report CREDITCARD35](#)), [bigtech](#), and "junk fees" ([see FSM Report CONSUMER38](#)).

July 12

- **FRB-NY Staff Target Consumer-Welfare Problems with Numeric Scores** - A new post from Federal Reserve Bank of New York [staff](#) concurs with a recent GAO [study](#) and Senate Democratic [concerns](#) about consumer risks resulting from numeric scores for purposes other than credit reporting.
- **Treasury Reposts Crypto RFI** - As Treasury for some reason [reposted](#) its request for comment on digital assets.
- **OFR Report Finds CBDC Reduces Run-Risk** - The Office of Financial Research released a [report](#) concluding that – counter to many fears – a CBDC could reduce banking system run-risk.

July 13

- **Small Business Committee Urges Fintech Transparency, New CFPB Role in Fintech Lending** - Small Business Subcommittee on Oversight, Investigations, and Regulations hearing on fintech transparency focused on financial practices that may harm small businesses' access to credit.
- **HFSC Party Lines Form on CRA Rewrite** - As [anticipated](#), the Subcommittee on Consumer Protection and Financial Institutions held a hearing examining the banking agencies' proposed rule to modernize the CRA ([see FSM Report CRA32](#)).

- **Fed Proposes Debit-Card, Payment-System Data Collections** - Although the Fed has yet to finalize a controversial proposal related to debit-interchange fees ([see FSM Report INTERCHANGE8](#)), it has [proposed](#) changes to how it collects debit-card information essential to implementing changes to network selection and, should it come to do so, fee calculations.
- **FSB Chair Reiterates Need for Crypto Regulation, Highlights Progress on Climate Roadmap** - FSB Chair Klaas Knot's letter to the G20 ministerial reiterated all the points regarding COVID exit strategies, regulation of cryptoassets, and executing FSB's climate roadmap outlined after June's plenary [meeting](#).
- **Senate Democrats Demand More Stringent, Binding Fed Ethics Standards** - Senate Banking Committee Chairman Sherrod Brown (D-OH) joined by four other Democrats sent a [letter](#) to Chairman Powell again calling for more stringent, enforceable Fed ethics standards, and reminded Mr. Powell in strongly-written arguments about the need to do so via binding regulation or by the kind of statutory change they have already introduced.
- **Global Regulators Press for Global Stablecoin Payment-Risk Standards** - Doubtless spurred by FSB [requests](#) and market volatility, the BIS Committee on Payments and Market Infrastructures (CPMI) and IOSCO issued its final [guidance](#) on the application of Principles for Financial Market Infrastructures (PFMI) to stablecoins.

July 14

- **FSB Climate-Risk Progress Report Underscores Disclosure Standards, Improved Data** - The FSB [released](#) a climate-risk progress report that also details near-term actions.
- **CFPB, OCC Slam BofA for UI-Fraud Lapses** - The OCC and CFPB issued a \$225 million enforcement [order](#) against Bank of America related to unemployment-insurance and public-benefit fraud that led the bank to improperly withhold prepaid-card payments to legitimate recipients.
- **BIS Builds "Central Bank Liquidity Bridges"** - Continuing its work to promote better cross-border payments, the BIS [floated](#) the idea of "central-bank liquidity bridges" to overcome current frictions in the bank-dominated sector.
- **Clarida and Powell Cleared, but OIG Still Reviewing Fed Ethics** - The Office of the Inspector General at the Fed [cleared](#) former Vice Chair Clarida and Chairman Powell of ethics violations that have dogged them as recently as a [letter](#) yesterday from Senate Democrats.

July 15

- **FDIC Addresses Swept Funds Brokered Treatment** - Doubtless reflecting Acting Chairman Gruenberg's tougher approach to brokered deposits, the FDIC tightened its current rule ([see FSM Report DEPOSITINSURANCE111](#)) via new [interpretation](#).

- **BIS Evaluates Macro-Financial Stability Frameworks** - BIS sent the G20 a [report](#) on macro-financial stability frameworks and external financial conditions.

This Week

Tuesday, July 19

HFSC Subcommittee on Investor Protection, Entrepreneurship, and Capital Markets Hearing entitled: "Oversight of the SEC's Division of Enforcement." [10:00 am, 2128 Rayburn House Office Building]. Witness: **Gurbir S. Grewal**, Director, Division of Enforcement, Securities and Exchange Commission.

Senate Judiciary Committee Hearing entitled: "KleptoCapture: Aiding Ukraine through Forfeiture of Russian Oligarchs' Illicit Assets." [10:00 am, Dirksen Senate Office Building Room 226]. Witnesses: TBD.

Senate Banking Hearing entitled: "Fairness in Financial Services: Racism and Discrimination in Banking." [10:00 am, Dirksen Senate Office Building 538]. Witness: **Mr. Steven Nesmith Esq.**, Vice President and Director/Head of Federal Policy, Center for Responsible Lending.

Wednesday, July 20

HFSC Hearing entitled: "Housing in America: Oversight of the Federal Housing Finance Agency." [10:00 am, 2128 Rayburn House Office Building]. Witness: **The Honorable Sandra L. Thompson**, Director, Federal Housing Finance Agency.

Thursday, July 21

Senate Banking Hearing entitled: "Priced Out: The State of Housing in America." [10:00 am, Dirksen Senate Office Building 538]. Witnesses: **Dr. Douglas Holtz-Eakin**, President, American Action Forum; **Ms. Peggy Bailey**, Vice President for Housing Policy, Center on Budget and Policy Priorities.

Future Events of Note

Wednesday, July 27

HFSC Markup. [10:00 am, 2128 Rayburn House Office Building]. Matters to be discussed: TBD.

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](#).

- **[CRYPTO30](#)**: As part of its response to the President's digital-asset executive order, the Department of the Treasury is seeking views on the broad policy questions on which it believes answers might guide the Administration's next steps.
- **[GSE-070822](#)**: A new Fed staff [note](#) contains startling statistics on how much the housing market has changed in just a few months at grave cost to lower income households.
- **[CRYPTO29](#)**: Global banking regulators are trying a new, but still stringent, approach to governing bank exposures to certain types of crypto assets, revising an initial consultation to focus more on supervisory limitations than on extremely punitive capital requirements for what are deemed to be lower risk cryptoassets.
- **[CREDITCARD35](#)**: Taking the first concrete action following its new policy on "junk fees," the CFPB has sought public comment on whether and how to govern credit-card late fees and broader practices related to late payments.
- **[GSE-070122](#)**: FHFA today essentially conceded after its initial polite rebuff to an Urban Institute critique of the capital rules adverse impact on [UMBS](#).
- **[GSE-063022](#)**: The Federal Reserve Bank of Philadelphia's latest [report](#) on foreclosure risk includes a worrisome finding: the sharp rise in interest rates means that most loan-mod recipients won't actually get much relief.
- **[GSE-062922](#)**: In response to a request from its [Inspector General](#), FHFA renewed the commitment to fourth-party supervision.
- **[DEPOSITINSURANCE114](#)**: The FDIC is proposing to raise base Deposit Insurance Fund (DIF) assessments by two basis points (BPS) to replenish the DIF by the statutory deadline to reflect deposit inflows that the FDIC no longer expects to be temporary.
- **[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.