



FedFin Daily Briefing

Monday, July 18, 2022

HFSC Set for Consequential GSE-Reform Review

As noted [last week](#), HFSC will on Wednesday convene a hearing with FHFA Director Thompson. Although Republicans sought this session, the majority-staff memo ahead of the hearing unsurprisingly reflects Democratic views on matters such as the GSEs' [equitable-finance plans](#). The memo notes ways in which these will enhance racial equity; Republicans will surely question Director Thompson about the extent to which they presage new activities that compete with the [private sector](#). The memo also addresses GSE regulatory capital, noting that proposals under former Director Calabria still supported by Republicans would have raised more capital than necessary at grave cost to the GSEs' mission. Democrats thus like Ms. Thompson's final [capital construct](#), but they still strongly oppose the current g-fee framework, pressing for significant changes to loan-level price adjustments on racial-equity grounds. Legislation on which the hearing will set a record includes H.R. 3323, introduced by Rep. Torres (D-NY), to authorize FHLB small-business lending and expanded activities. Historically, FHLBs have received scant attention at these hearings, but a high-profile paper criticizing the [System](#) has renewed interest in the Banks and may spark questioning about FHFA plans to review the System. Bills on the agenda also include a draft bill mandating greater Home Loan Bank board diversity, a Waters (D-CA) discussion draft to address appraisal discrimination, a draft measure requiring FHFA to consider ways to increase small-dollar mortgage lending, a discussion draft expressly authorizing FHFA to set prudential standards for nonbank mortgage servicers, a discussion draft increasing demographic reporting on all of the activities at the GSEs, and a long pending Waters measure to increase down payment assistance. We will provide clients with an in-depth analysis of the hearing upon its conclusion.

Comment Period Extended on Consequential Credit-Card Proposal

The *Federal Register* today provides a ten-day comment period extension for the CFPB's ANPR on Credit Card Late Fees and Late Payments ([see FSM Report CREDITCARD35](#)). The former deadline was July 22; it is now August 1. As we noted, the ANPR could augur a paradigm shift in the U.S. consumer finance regulatory framework, putting the Bureau into the price-setting business. This could benefit consumers when it comes to fees, but make credit cards more expensive and adversely affect cardholders who pay their balances in full.

G20 Ministerial Dissolves Over Sanctions, Climate Risk

Reinforcing fears of global fragmentation, the G20 finance ministerial over the weekend was unable to agree on a joint communique even though these are historically anodyne pronouncements that mask considerable disagreement. A [statement](#) instead from the meeting's chair was relatively frank about disagreements over which sanctions are exacerbating global supply-chain and inflation problems and even about their overall benefit. It is also clear that global consensus on near-term climate-risk reduction is waning – the statement reiterates many longstanding G20, FSB, and agency climate-risk programs, but ministers and central bankers appear to have agreed only on the need to continue work and address the challenges related to climate-risk data before proceeding to specific standards. The consensus part of the statement also reiterates central-bank commitment to fighting inflation, now emphasizing the importance that

independence plays in their ability to do so, and applauds a new BIS paper on the macroprudential [framework](#) and continued CBDC discussion. Here, the statement suggests a CBDC could be a way to improve payment systems and enhance stability. Further BIS work on cross-border payments related to [CBDCs](#) will guide the ministerial. The G20 also called on the FSB to heighten its focus on financial stability and advance its current [agenda](#), focusing in particular on the FSB's next report on NBFIs systemic risk and on [cryptoassets](#).

CFTC Presses for Commodity-Originator Climate-Risk Comments

The CFTC today [extended](#) the comment deadline for its climate-risk RFI from August 8 to October 7. Chairman Rostin Behnam said the Commission did so to encourage feedback from farmers and other small entities critical to the Commission's mission. As [noted](#), the Commission seeks comments on how climate risk affects the derivatives market, underlying commodities markets, the entities it regulates, and contagion risk. The Commission also wants views on systemic risk, risk analytics, and how stress and scenario analyses should be constructed.

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.
- **[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.