



FedFin Daily Briefing

Thursday, July 21, 2022

Housing Prices Session Ignites Familiar Partisan Debates

Today's Senate Banking Committee Hearing on Housing Price Increases was another session of partisan discussion of the housing market and how to address it. Chairman Brown (D-OH) focused on the economic stressors that result from housing insecurity, emphasizing the consequences on families of color. Concluding that the country needs greater housing supply requiring Congressional action, he then listed legislation sponsored by several Senate Banking Democrats that would spur investment in rental assistance, housing energy efficiency, new housing for lower income families, and local housing. Ranking Member Toomey (R-PA) put the blame for soaring housing prices on what he called the Biden Administration and Democrats' bad policy decisions, arguing that massive government subsidies in the housing market have stimulated demand rather than supply and done nothing for the racial wealth gap. Sen. Toomey was particularly caustic about the FHFA, which he said is misusing GSE conservatorship to advance an agenda of social engineering of its housing and racial equity policies, specifically calling out policies that have relaxed GSE underwriting requirements and recent pilot programs he said contain race-based eligibility restrictions. A client alert is forthcoming on a broadside from Senate Republicans to Ms. Thompson on this issue.

Senate Banking Republicans Demand FHFA Reverse Racial Equity Plans

Following yesterday's hearing ([see Client Report GSE147](#)), Sen. Thom Tillis (R-NC) and eleven other Senate Banking Republicans sent a [letter](#) to Director Thompson strongly objecting to what they call "affirmative-action" subsidies, calling them unconstitutional and beyond the FHFA's mandate and the Enterprises' charters. The Senators also argue that it puts Black and other minority homeowners at risk and accuse the administration of politicizing the Enterprises, warning that future administrations could use the GSEs' balance sheets as slush funds. Saying that litigation is likely, the Senators also call for the Enterprises to retain all correspondence with FHFA.

BIS CPII Identifies Benefits, Barriers to Multilateral Payment System Platforms

The BIS Committee on Payments and Market Infrastructures published an [article](#) today arguing that multilateral platforms can alleviate some payment system frictions, but several challenges remain. The article claims that multilateral platforms can shorten processing chains, facilitate standardization, and process multiple currencies, resulting in faster payments. However, high investment costs, divergent legal frameworks, or governance preferences may prove to be barriers in implementing the platform. The article affirms that the BIS will continue to study multilateral platforms as part of the G20 program, with a report to be published in the second half of 2022.

CFPB Sure Now to Tackle Zelle Scams

Following [media coverage](#) yesterday suggesting near-term CFPB action, the majority of Senate Banking Democrats have called on the Bureau to do exactly what it appears to contemplate: take action to make banks offering Zelle responsible not only for fraud, but also scams to which

consumers give initial consent. In a letter [yesterday](#) to Director Chopra, they encourage a rewrite of EFTA rules holding banks responsible for payments consumers should have known better than to have authorized; how banks are to anticipate this is unclear and the extent to which buyers' remorse enters into consumer claims is unaddressed. The letter argues that Zelle should have the capability to protect consumers and that holding paying banks liable will ensure that the industry develops better scam-prevention systems. The timing for Bureau action is unclear, but the letter suggests to us that it is imminent.

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-072122](#): We yesterday provided a complete assessment of Sandra Thompson's sojourn on HFSC's [griddle](#), noting the lack of any insights into essential issues such as conservatorship's end or the full scope of CRT's new beginning.
- [GSE147](#): At her first hearing as confirmed FHFA Director, Sandra Thompson made it clear to House Financial Services that she is committed to expanding credit-risk transfer (CRT), encouraging equitable finance via new GSE activities, and recapitalizing Fannie and Freddie as quickly as possible.
- [GSE-071922](#): As noted earlier today, the Fed has finally brought forth its LIBOR-transition [proposal](#) specifying permissible benchmarks for legacy contracts without contractual fallback rates.
- [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.