



# FedFin Weekly Alert

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Monday, August 15, 2022

## ❑ QUIET BUT ....

With passage last Friday of the Administration's Inflation Reduction Act, political focus will be still more monomaniacally fixed on what the economy actually does between now and November. The White House is reveling in lower gas prices, Republicans are pointing to higher prices for pretty much everything else, and markets have turned from their obsession with each Powell pronouncement to what we think is a rather unhealthy fixation on the mountain mutterings throughout Jackson Hole later this month. Still, there's some business as sort-of usual. We're watching:

- Negotiations over the HFSC stablecoin bill which Chairwoman Waters (D-CA) hopes to bring up for a vote at the panel's next markup;
- The Fed fracas over transparency, with [Republicans](#) and [Sen. Warren](#) (D-CA) last week agreeing on at least one thing – the Fed needs a lot more transparency;
- Whether the Senate's Majority Whip can find a way to enact his bill to open up credit-card payment networks ([see FSM Report INTERCHANGE10](#));
- What the CFPB does to whom and how. Just last week, it issued edicts on [digital marketing](#) and [data safeguards](#). In-depth reports on each of these are heading your way shortly; and
- Additional clues as to the direction of the CRA. Democrats from the [House](#) and the [Senate](#) released comment letters last week identifying weaknesses and points of improvement in May's NPR ([see FSM Report CRA32](#)), such as tougher scoring standards and better rental/multifamily housing criteria.

## Headlines From the Past Week's Daily Briefings

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### [August 8](#)

- **Progressives Press Price Controls** - A group of progressive Democrats and CBC members introduced H.R. 8658, legislation designed to press the President to institute price controls and give him greater authority to do so.
- **FRB-Dallas: Fed Policy Hiked Current Inflation** - A new Federal Reserve Bank of Dallas [study](#) reaches a conclusion likely to exacerbate criticism of current monetary policy: the 2020 flexible-average inflation targeting (FAIT) construct increased inflation over what would otherwise have been predicted by 1.8 percentage points on average.

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## August 9

- **Dems Demand Tougher CRA Standards** - HFSC Chairwoman Waters (D-CA) released the comment [letter](#) she and 76 Democrats filed on the CRA proposal ([see FSM Report CRA32](#)).
- **BoE Staff: Regulators Must Tackle Cryptoassets Before They Pose Systemic Risks** - Echoing concerns now troubling the [Financial Stability Board](#), a [new article](#) from the Bank of England concludes that growth of an open and decentralized metaverse could augment existing cryptoasset risks and trigger systemic financial stability consequences.

## August 10

- **Penalizes Fintech for Taking Consumer Funds Instead of Encouraging Savings** - Striking at the heart of the purported financial-inclusion benefits of fintech, the [CFPB](#) took action against Hello Digit under both its UDAAP powers ([see FSM Report CONSUMER39](#)) and its more recent stand on AI ([see FSM Report FAIRLEND11](#)).
- **Sen Dems Demand More re Rental Housing, Short-Term Loans in CRA Standards** - HFSC CRA [comment letter](#) has been followed by [one](#) from Chairman Brown (D-OH) and eighteen Democrats.
- **Senate Banking GOP Ramps Up Fed Demands** - Following Sen. Toomey's (R-PA) [diatribe](#), Senate Banking Republicans have followed through with direct demands for greater Fed transparency and recognition of the central bank's duties to the Congress.
- **Waters Demands Bureau Halt Equifax Scoring Until Erroneous-Data Problems Revealed, Remediated** - HFSC Chairwoman Waters sent a [letter](#) to the CFPB calling on the Bureau to use all of its powers to ensure remediation for consumers harmed by Equifax's alleged credit-reporting error, as well as institute greater protections for consumers in the "broken" credit-reporting system.
- **CFPB Sweeps Up Bigtech in Scope of Consumer-Protection Standards** - Building on its inquiry into [bigtech](#) and a controversial interpretive rule expanding its power to nonbanks ([see FSM Report CONSUMER41](#)), the [CFPB](#) issued an expansive interpretive rule subjecting digital companies using behavioral or similar data to market consumer-finance products to the full thrust of federal consumer law.
- **Progresses Press Hsu on Crypto Authorizations** - Sens. Warren (D-MA), Durbin (D-IL), Whitehouse (D-RI), and Sanders (D-VT) formally [requested](#) that Acting Comptroller Hsu withdraw the crypto guidance issued by his Trump Administration predecessor in areas such as crypto-custody services ([see FSM Report CRYPTO15](#)) and [node-verification networks](#).
- **FHFA, GSEs Cracking Down on Servicer Fair-Lending Compliance** - To [acclaim](#) from Chairman Brown (D-OH), FHFA [announced](#) that Fannie and Freddie will henceforth require servicers not just to obtain, but also retain fair-lending data including those on key demographic categories and a borrower's preferred language.

## August 11

- **CFPB Calls Data-Safeguard Shortfalls UDAAP, Urging Enforcement** - Using a [circular](#) to set a new standard, the CFPB announced that failure properly to safeguard consumer data even if no loss or intrusion occurs violates consumer-protection requirements and should be addressed via state enforcement actions along with its own.
- **Warren Joins GOP in at Least One Thing: Demand for Fed Transparency** - Although Sen. Warren's (D-MA) [complaint](#) is different in terms of specifics, it is the same fundamental problem [voiced](#) by Senate Banking Republicans: the Fed's unwillingness to answer questions or supply information on disputed events.

## August 12

- **CFPB Plans Inquiry into Credit-Card Rates, Rewards, Competition** - A [blog post](#) from the CFPB examining credit-card interest rates concludes that these are set in ways that provide "outsized profits."

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## **This Week**

No meetings of note.

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## **Future Events of Note**

No events of note.

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## **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](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](#).

- **GSE-081222:** [FHFA](#), [Fannie](#), and [Freddie](#) yesterday released the results of FHFA's latest stress test, focusing on the severely-adverse scenario in order – or so FHFA says – to push the GSEs to the limit.
- **INTERCHANGE10:** Two senators have reopened questions about the manner in which card-related payments are handled, tackling those applicable to credit cards with a bill mandating that merchants must be given a network choice that is not either Visa or Mastercard in order to, the sponsors argue, increase competition and lower credit-card transaction costs.
- **LIBOR8:** Moving belatedly but now expeditiously to implement legislation governing legacy-contract benchmarks when there is no contractual fallback rate, the Fed has proposed a new framework for derivatives, consumer loans, certain GSE contracts, and any other legacy contracts without clear LIBOR-replacement provisions and a "determining person" to effectuate them.

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- **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.