



FedFin Daily Briefing

Tuesday, August 2, 2022

FFIEC Turns Back to Troubled Loans

The banking agencies and NCUA [today](#) sought comment on proposed changes to troubled-loan standards that would codify action during the great financial crisis on CRE-related allowances for loan and lease losses ([see FSM Report ALLL5](#)) and Covid-crisis era regulatory and CECL actions ([see FSM Report CECL7](#)). Although focused on CRE, the statement's general principles would also apply to commercial loans secured by real property or business assets, reiterating current injunctions for banks to work "constructively" with troubled borrowers. In addition to changing standards to reflect CECL, the new statement's major reforms to prior rules expressly encourage short-term accommodations and provide examples of appropriate CRE workouts. Comments are due by October 3.

Senate Banking at Another Loggerhead, This One re Housing

Today's Senate Banking hearing on rising rent was a partisan session, with Democrats urging support for legislation to provide emergency rental assistance and other federal interventions. In sharp contrast, Republicans argued that needless government regulation is to blame. Ranking member Toomey (R-PA) also continued Republican [attacks](#) on the GSEs, denouncing what he called their loose underwriting standards and calling for Congress to prohibit them from investing in areas with rent-control laws. Chairman Brown (D-OH) noted that many renters pay an unsustainable portion of their income for rent, joining Sens. Menendez (D-NJ), Reed (D-RI), and Van Hollen (D-MD) in calling for federal programs that increase housing supply, improve affordable-housing maintenance, and provide financial assistance and mediation for vulnerable renters. Sen. Warren (D-MA) proposed the creation of a Tenant Protection Bureau similar to the CFPB to hold institutional investors and corporate landlords accountable. This hearing helps to build a record for provisions passed as soon as today in the Democratic reconciliation bill providing some housing support, but the fate of these measures and that bill are nonetheless independent of Senate Banking deliberations.

Hsu Fears Continuing Cyber Risk

In remarks [today](#), Acting Comptroller Hsu indicated that, while banks have generally done a good job combatting cyber threats, this has led to an undue sense of security across the industry, law enforcement, and national-security officials. Mr. Hsu thus urges continued vigilance and investment that recognizes the increasingly inter-connected and complex nature of financial instruments, payment systems, and markets, as well as continued attention to contingency planning and recovery protocols. The speech also details failures in internal controls to which the OCC attributes to the most recent incidents: i.e., the lack of strong authentication, ineffective systems configuration, poor task management, and recovery vulnerabilities. The agency is prioritizing cyber-security with a particular focus on third-party vendors, noting that the OCC has also ramped up its own protections and recovery systems.

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](#).

- **[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.
- **[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.