



# *FedFin Daily Briefing*

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Friday, August 12, 2022

## **CFPB Plans Inquiry into Credit-Card Rates, Rewards, Competition**

A [blog post](#) today from the CFPB examining credit-card interest rates concludes that these are set in ways that provide “outsized profits.” As a result, the Bureau plans to add this issue to the assault currently under way against late fees ([see FSM Report CREDITCARD35](#)) by evaluating whether trends like increasing rewards and high switching costs explain high interest rates and if anti-competitive practices are also at work putting profits above cardholders’ best interests. The study finds that credit-card pricing appears to be less responsive to macroeconomic trends such as changes in the cost of funds and that mismatches between card interest rates and lending risk may drive undue profitability. It also highlights discrepancies between high risk-margins and low delinquencies and defaults, inflexible price plans incongruous with charge-off rates and post-GFC economic conditions, and increased interest rates despite contemporaneously stable shares of subprime loans and debt decreases.

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### **Recent Files Available for Downloading**

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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.
- [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.