



FedFin Daily Briefing

Thursday, September 1, 2022

FTC Tackles Credit-Card Digital Marketing

In an action with implications for all credit-card issuers, the FTC [today ordered](#) Credit Karma to pay \$3 million to consumers allegedly harmed by the company's marketing misrepresentations. The Commission's complaint claims that Credit Karma's use of digital dark patterns – user interfaces designed to steer consumers to choices in a company's, rather than their own, interest – enticed consumers into applying for credit cards for which they did not qualify. The FTC's complaint also alleges that this not only cost consumers time, but also caused credit-score harm, as applications for credit cards triggered inquiries from third-party financial companies that resulted in lower credit scores. In addition to the fine, the FTC is requiring Credit Karma to cease its purported consumer deception and preserve market and behavioral research records. As noted, the CFPB is not only targeting credit-card issuers ([see FSM Report CREDITCARD35](#)), but also digital marketing of the sort suggested here by the FTC in this case ([see FSM Report FINTECH30](#)).

Hsu Presses for Responsible Innovation

In remarks [today](#) generally focused on community banks, Acting Comptroller Hsu also focused on ways to ensure that small banks safely enter digital finance. The OCC is reinvigorating a 2015 effort to encourage partnerships among community banks that pool resources and expertise – what we would call a new approach to bankers' banks focused here on technology innovation. The agency also continues to work on third-party arrangements, with the talk providing no insight into when inter-agency standards in this arena ([see FSM Report VENDOR8](#)) may be finalized. Mr. Hsu also reiterated that fintechs seeking national-bank charters will be held to like-kind prudential standards governing traditional charters.

IMF Stakes Out New Stablecoin Standards

The IMF today released a flurry of articles outlining the benefits and risks of DeFi and digital assets, with one article warning against regulating stablecoins like banks. This runs counter to the initial PWG call for forcing stablecoins into banks, an approach from which Treasury has now moved [away](#) and reflects the direction HFSC Chairwoman Waters (D-CA) is trying to [craft](#). The articles also outline appropriate rules related to increasing cross-border payment innovation and smart-contract benefits, reiterating privacy and volatility concerns and calling for a coordinated and consistent global regulatory response.

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-090122](#): As seems always the case, FHFA Director Thompson is as good as her word to Congress earlier this [summer](#), announcing [yesterday](#) a review of the extent to which the Home Loan Banks and

their System meet the mission assigned to them and, regardless, if that mission still makes sense.

- **GSE-083022:** BofA's new no-down payment [mortgage](#) is another innovative product in which banks use their balance sheets to address their CRA obligations by offering down payment assistance or, as here, flat out nothing down.
- **CRYPTO31:** Reflecting the concerns voiced in a recent executive order from President Biden and a subsequent request for views from Treasury, the Federal Reserve has joined the OCC in demanding prior notice from banking organizations that wish to undertake cryptoasset activities.
- **GSE-082222:** A new Federal Reserve Bank of Cleveland [study](#) validates forbearance as a mortgage-market buffer, reinforcing the likelihood that policymakers and servicers will turn quickly to it if current mortgage-market conditions turn ugly under the combined stress of higher rates and slow to no growth.
- **GSE-081922:** We look here at an interesting [idea](#) from three senior Fannie Mae officials: an index to measure a Single-Family MBS's social impact.
- **PAYMENT25:** Following considerable controversy surrounding how Federal Reserve Banks grant master accounts, it has finalized a somewhat more explicit set of guidelines along lines proposed the second time the Fed attempted to set guidelines via a "supplemental" proposal earlier this year amending its 2021 effort.
- **GSE-081722:** [FHFA](#) and [Ginnie Mae](#) today let loose their long, long delayed standards for eligible seller-servicers.
- **INFOSEC28:** Using another of its tools to set policy without prior public comment, the CFPB has released a circular stating that inadequate consumer-data safeguards may constitute a breach of the unfair, deceptive, or abusive acts or practices (UDAAP) protection standards subject to Bureau enforcement action.
- **FINTECH30:** Continuing its practice of setting sweeping policy by administrative action without prior notice or comment, the CFPB has issued an interpretive rule sharply curtailing the extent to which digital advertising and market strategies are exempted from the legal and compliance obligations associated with most parties directly providing consumer financial products or services and those acting as servicers to these entities.
- **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.