



FedFin Daily Briefing

Monday, September 12, 2022

Senate Banking GOP Demand CFPB Recant, Retreat, Redo

All Republican members of the Senate Banking Committee today sent CFPB Director Chopra a scathing [letter](#) challenging his legal authority to undertake many recent actions. The letter specifically cites what it calls the Bureau’s “smear campaign” against banks offering optional overdraft services, calling its February [list](#) of the top 20 banks by revenue from overdraft fees an abusive “name-and-shame” tactic. It also slams what it deems the CFPB’s one-sided [April rule change](#) regarding public disclosure of nonbank supervision as well as changes to its adjudication rules, taking strong issue with the Bureau’s handling of a lawsuit with Fifth Third Bank. This follows criticism from [HFSC Republicans](#) on grounds that the Bureau is intimidating companies by pursuing duplicative enforcement actions with state regulators. As [noted](#), this attack bodes ill for the Bureau if Republicans gain House and Senate control; should the GOP take only one House, then it will come under frequent challenge, but Republicans will find it harder to force the Bureau actually to change course.

OFAC Eases Implementation of Oil Price-Cap Sanctions

As [anticipated](#), OFAC late Friday issued initial [guidance](#) to banks and insurers on Russian oil price-cap compliance. Although OFAC plans to follow this guidance with a more comprehensive statement and a “red-flag” advisory, it now makes clear that banks and insurers will not be liable for price-cap violations related to their financing or coverage if the financial company has no independent knowledge of the actual price and reasonably relied on a customer’s attestation. The standards cover an array of transactions directly or indirectly related to covered Russian oil related to U.S. persons no matter where located, thus casting a wide net over dollar-denominated finance and insurance. Because sanctions apply only to Russian oil above the price cap – which has yet to be set – OFAC details how brokers and others are to obtain prices and the manner in which banks and insurers may rely on these prices and/or customer representations. Anyone providing false price information to banks or insurers will, though, come under sanction. Documentation would need to be retained for at least five years.

Fed Study: Credit Profitability Depends on NIM

At a time when credit-card rates reached a [quarter-century high](#), the Fed has released a [staff study](#) using new data to conclude that card interest rates are by far the most important source of issuer profitability. The study decomposes credit-card income into component parts (interchange fees, interest charges, and consumer fees) with interest-rate revenue accounting for eighty percent of card profitability at the largest bank issuers. Rewards and other card benefits counter interchange fees to make payment-related services modestly unprofitable, a finding with considerable implications for ongoing debate over interchange fees and pending legislation in this area ([see FSM Report INTERCHANGE10](#)). One reason credit provides the bulk of income is gradual NIM increases on revolving balances, with borrowers holding these balances paying the majority of both interest income and card fees. It is unclear if finding that interest – not fee – revenue drives card profitability will affect the CFPB’s campaign against card “junk” fees ([see FSM Report CREDITCARD35](#)).

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](#).

- **[INSURANCE61](#)**: Chairman Brown (D-OH) convened a hearing today focused on the insurance industry largely focusing on the extent to which private-equity takeovers endanger insurance solvency and threaten pensioners following risk transfers.
- **[GSE-090722](#)**: Reinforcing the sharp turn-around in housing markets evident since the Fed surprised markets with its first 75 bps hike, a new working paper from the [San Francisco Fed](#) provides the first hard evidence of how monetary-policy shocks in the U.S. hit listing prices hard and fast.
- **[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.