



FedFin Daily Briefing

Wednesday, October 19, 2022

CFPB Brings Older Adults Into Fair-Fee Focus

Following yesterday's [enforcement action](#) and furthering its "fair-fee" policy agenda ([see FSM Report CONSUMER38](#)), the CFPB today published an [Issue Brief](#) on overdraft fees and economically-insecure older adults. It urges banks to protect these customers from "unnecessary" fees, consider the impact of fees when designing account offerings, and maintain "age-friendly" banking practices including financial caregiver account accessibility and adequate customer support – i.e., the relationship banking addressed in another pending CFPB action ([see FSM Report CONSUMER43](#)). The Bureau also reiterates that it will continue to track the impact of overdraft fees on older adults through complaint analysis, RFI comment analysis, stakeholder outreach, and other strategies.

HUD Advances LIBOR Replacement As Deadline

Following its ANPR on replacing LIBOR [last year](#), HUD today published a proposed [rule](#) to remove LIBOR as an approved index for forward ARMs and reverse mortgages, replacing it with SOFR. For existing ARMs, HUD proposes to establish a spread-adjusted SOFR index to transition from LIBOR, with a lifetime five percent interest-rate cap for monthly adjustable rate reverse mortgages. Comments are due by November 18.

House Republicans Question PayPal's Content Fine Mistake

Following [revelations](#) that PayPal had temporarily imposed a penalty fee on certain content, HFSC Ranking Member McHenry (R-NC), Energy and Commerce Ranking Member Rodgers (R-WA), and Reps. Emmer (R-MN) and Griffith (R-VA) sent a [letter](#) to PayPal CEO Dan Schulman requesting more information about PayPal mistakenly updating its Acceptable Use Policy to include a fine for sharing "objectionable" messages on the platform. The letter demands answers about what PayPal's internal protocols are for updating the policy and the timeline for internal investigation, giving a deadline of October 27 for a response. Sen. Tim Scott (R-SC) sent a similar [letter](#) last week addressing the policy's free-speech implications.

Fed Study Finds Little Evidence of Discrimination in Mortgage Lending

A new Fed [study](#) on racial bias in mortgage lending finds little evidence of discrimination, concluding instead that disparities in observable applicant risk explain most racial denial disparities. The study uses confidential HMDA supervisory data from 2018-2019 that controls for credit scores, DTI, and LTV on top of automated underwriting systems (AUS) recommendations. Highlighting that minority applicants tend to have significantly lower credit scores and higher leverage, as well as being less likely than white applicants to receive algorithmic approval from colorblind government AUS, the authors determine that demographic differences in risk characteristics drive most of the disparities in credit access. They thus conclude that policies heightening fair-lending enforcement will have little effect in reducing outcome disparities. Instead, improving the risk characteristics of minority applicants, through improving financial literacy and credit history, may be more effective in increasing racial wealth equality.

These conclusions [differ](#) sharply from much prior [research](#) finding [stronger evidence](#) of discrimination. Addressing this, this paper's authors assert that the confidential data from which their findings derive control for credit scores, whereas public data used in other studies do not do so. However, they also note limitations to their findings stemming from an inability to factor informal application rejections that could be indicative of discrimination.

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](#).

- **MERGER11**: [As promised](#), this analysis focuses on the [OCC](#) and [FRB](#) approvals of the acquisition by U.S. Bancorp of MUFG's Union Bank in California.
- **DEPOSITINSURANCE115**: The FDIC board today voted 3-0 to increase DIF assessment rates by 2bps, finalizing its proposal ([see FSM Report DEPOSITINSURANCE114](#)) and rejecting industry arguments on grounds that a small DIF premium increase now would make a more damaging procyclical assessment increase under adverse economic conditions less likely.
- **CRYPTO34**: Speaking for global banking, securities, and insurance regulators, the Financial Stability Board has taken its firmest stand to date on cryptoassets and outlined high-level and often principles-based global standards to govern them going forward.
- **INTERCHANGE11**: Leaving its interchange-fee restrictions intact – at least for now – the Federal Reserve has finalized its proposal expanding on its existing requirement that all debit- card transactions must be enabled for processing on at least two unaffiliated payment-card networks for card-not-present transactions.
- **GSE-100622**: FHA's [request for input](#) on small-dollar loans could mean much for this equality-essential product or little beyond a lot more public debate.
- **CRYPTO33**: In this report, we build on our [initial assessment](#) of FSOC's conclusion that cryptoassets now pose systemic risk and the Council's recommendations about what should be done to curtail it.
- **GSE-100422**: Although one witness at the FHFA listening session on the Home Loan Banks took strong issue with their mission and meaning, another who called them the "most successful program of the last hundred years" pretty much summed up today's testimony.
- **GSE-100322**: Our take on the first two days of FHFA's FHLB "listening session" last week is that battle lines are shaping up much as we expected with the exception of a couple of powerful groups with new ideas about how the System could be put to better use for themselves and/or the public interest.
- **MORTGAGE121**: The CFPB has asked for views on the extent to which it can facilitate certain refinancing (refi) products it believes enhance economic justice.
- **GSE-092622**: As will be evident in our forthcoming in-depth analysis, the CFPB's fusillade [last week](#) on mortgage-finance could have far-reaching implications for the entire market based on how far it takes its new campaign for equitable housing finance and whether the market is willing to come along on at

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least some of the agency's new ideas.

- **[AML136](#)**: Treasury is seeking comments on issues raised by the President's executive order (EO) on digital assets to guide further work curbing illicit-finance and national-security risks in this sector.
- **[REFORM213](#)**: Senate Banking's hearing with big-bank CEOs proved much more combative than HFSC's session yesterday ([see Client Report REFORM212](#)).
- **[GSE-092222](#)**: In this report, we follow our earlier analysis of Treasury's CBDC recommendations and [housing finance](#) with an analysis of another Treasury report in response the President's [executive order](#) focused on the overall construct of cryptoassets in the U.S.
- **[REFORM212](#)**: At today's big-bank oversight HFSC hearing, Committee Democrats focused on each bank's progress on social issues, such as internal diversity, unionization, and historic roles in financing slavery.
- **[GSE-092122](#)**: In this analysis, we drill down in Treasury's high-impact reports to the President on the future of digital assets to identify key considerations and strategic implications for housing finance.
- **[CRYPTO32](#)**: We follow our prior in-depth analysis of Treasury's CBDC and payments report ([see Client Report CBDC14](#)) with a detailed assessment of the Department's [assessment](#) of overall cryptoasset policy.
- **[SANCTION19](#)**: Today's Senate Banking hearing on Russian sanctions showcased bipartisan concern that anti-Russian sanctions have yet to have meaningful impact and doubts about the extent to which oil-price caps will reverse this.