# *FedFin Daily Briefing*

**Monday, October 24, 2022**

## Deadline Set for D-SIB Resolution Comment

The *Federal Register* today included the Fed/FDIC D-SIB resolution ANPR, as announced last week (see *Client Report* **DEPOSITINSURANCE115**). As analyzed in our in-depth report (see FSM Report **RESOLVE48**), the agencies seek comment on whether requiring D-SIBs to have TLAC standards akin to those mandated for G-SIBs would enhance resolvability, as well as seeking input on extending clearing holding company requirements to D-SIBs, disclosure standards in the event of a resolution, and explicit severability plans. Comments are due by December 23.

## FHFA Advances Equitable Finance With New Fees, Credit Score Options

Building on its 2022 scorecards and January's up-front fee price hikes, FHFA today announced it will eliminate upfront fees – aka, delivery fees or loan-level price adjustments (LLPAs) – for certain borrowers and affordable mortgage products. The Agency will also implement targeted increases to the upfront fees for most cash-out refinance loans. Upfront fees will be eliminated for: first time homebuyers at or below 100% of area median income (AMI) and below 120% AMI in high-cost areas; HomeReady and Home Possible loans, which are Fannie and Freddie's flagship affordable housing products; HFA Advantage and HFA Preferred loans; and single-family loans supporting the Duty to Serve program. In remarks today summarizing these actions, Director Thompson stated that approximately one in five borrowers will be eligible for the pricing benefits and that the Agency will continue to review the Enterprises' pricing framework to advance FHFA's affordable and equitable housing financial goals. FHFA does not provide an exact timeline, saying only that the fee reductions will go into effect as soon as possible and that it will soon announce an implementation date. The implementation of new fees for cash-out refinance loans will begin February 1, 2023 in order to minimize market and pipeline disruption.

FHFA also announced plans to significantly update Fannie and Freddie's credit score models by validating and approving the FICO 10T and VantageScore 4.0 credit score models, which are now set to replace Classic FICO at the Enterprises. The Enterprises will also require two, rather than three, credit reports from the national consumer reporting agencies. Echoing a fact sheet accompanying the announcement, Director Thompson's remarks today indicate that this overhaul will provide more accurate and inclusive borrower credit scores by factoring new payment information (e.g. rent, utilities, and telecom payments) long sought by industry advocates, as well as enhanced housing market safety and soundness through more informative risk profiles brought through these models. No specific timeline for these measures is provided, though Director Thompson stated that FHFA and the Enterprises will soon begin a "multi-year implementation phase" involving extensive industry outreach. FedFin will soon provide clients with an in-depth report of these developments.

### 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.

- **RESOLVE48:** The FRB and FDIC have moved beyond the resolution-planning requirements mandated in the Dodd-Frank Act then implemented over the years to what could be a new resolution regime for banking organizations considered category II or III companies under the inter-agency tailoring rules.

- **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 least some of the agency's new ideas.

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