FedFin Daily Briefing

Thursday, October 27, 2022

CFPB Seeks Comment on Consumer Data Rights, Market Power

Following remarks from Director Chopra earlier this week, the CFPB today announced a formal kick-off of its consumer data-rights rulemaking. The outline released today is nominally for the agency's mandatory small-business advisory committee but actually constitutes the equivalent of an advance notice of proposed rulemaking on which extensive public comment is certain. We will shortly provide clients with an in-depth analysis of the outline, which is predicated on views Director Chopra reiterated today about the importance of giving consumer data rights to ensure fair markets and the appropriate level of consumer data privacy and economic power. Comments on the outline are due by January 25, with the Bureau anticipating a final rulemaking later in the year.

Gruenberg Reminds Markets of TLGP Backstops at Time of Liquidity Stress

In remarks today, Acting FDIC Chairman Gruenberg stoutly defended the agency's final rule hiking DIF premiums (see *Client Report* **DEPOSITINSURANCE115**). However, he also notes the agency's ability to reimpose the "temporary liquidity debt guarantee" program first authorized in the 2008 crisis that was reinstated during the Covid crisis until the end of 2020 (see FSM Report **DEPOSITINSURANCE110**). The FDIC has the authority to do so again only under certain restrictions in future crises, but Mr. Gruenberg's comments suggest that the agency is mindful of this tool in the midst of ongoing market stress is. Should the agency seek to trigger it now, a new Congressional resolution authorizing action is required.

Warren Reignites Anti-Zelle Campaign

In another appeal to the CFPB to tackle Zelle, Sen. Warren (D-MA) today sent a letter to Director Chopra calling on the Bureau to increase consumer protections in peer-to-peer lending platforms and curtail what she again describes as "rampant" fraud. The letter highlights findings of the Senator's recent investigation of Zelle, i.e., that increasing rates of scams and fraud on the payment service are not being fully reimbursed by big banks. The letter follows a testy exchange (see *Client Report* **REFORM213**) between Sen. Warren and big bank CEOs at a recent Senate Banking session, and her letter again takes particular issue with JP Morgan and Wells Fargo because they did not meet her demand for Zelle data.

Democratic Pressures Grow Against Fed Rate Hikes

Adding to critiques from Sens. Brown (D-OH) and Warren (D-MA), Sen. Hickenlooper (D-CO) today called on the Fed to halt interest-rate increases. Describing employment as "full," Sen. Hickenlooper joins his considerably-more progressive Democratic colleagues in arguing that inflation is principally caused by factors other than the money supply that will not be meaningfully or quickly addressed by rate hikes. The letter, which asks no specific questions, adds to growing Democratic rancor about the central bank sure to be stoked if the FOMC – as markets expect – sticks to its planned 75 bps rate hike next week and the midterms go badly for Democrats.

Fed Study Details QE Alternatives, Expanded Fed Role

A new FRB staff paper explores the past, present, and future as an approach to achieving the Fed's increasingly-problematic monetary-policy transmission: "funding for lending." Suggesting this is both possible and often desirable via the discount window, the paper argues that the U.S. central bank can directly fund banks not only to absorb liquidity shortfalls, but also to encourage lending in general and/or for specific purposes when funding costs are high but monetary policy is accommodative. The paper suggests that funding-for-lending could be particularly beneficial to smaller banks and credit unions unable to access capital markets and for smaller businesses and other borrowers dependent on these entities. However, the analysis also details broader monetary-policy, macroeconomic, and credit-availability considerations. These programs are a variation on what some have called the "people's QE" and Karen Petrou's outline for new Fed windows focused less on financial markets and more on households and very small businesses. The paper notes various funding-for-lending design options and benefits over QE (e.g., easier wind-down). The Fed is at present struggling with so many policy challenges and is also of course trying to tighten policy. The extent to which it would turn to more funding for lending in future crises is uncertain, but this paper creates a framework from which the Fed could advance in light of all the challenges it has come to understand result from quantitative tightening.

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-102522:** As we noted yesterday, FHFA has decided not only to unbundle second and high-dollar loans from its flat-fee paradigm, but now to do the same for about one in five conventional conforming purchase loans outside these categories.

- **DEPOSITINSURANCE116:** The FDIC has finalized its proposal largely unchanged to raise base Deposit Insurance Fund (DIF) assessments by two basis points (bps) to replenish the DIF by the statutory deadline to reflect deposit inflows that the FDIC no longer expects to be temporary.

- **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.

Federal Financial Analytics, Inc.
2101 LStreet, N.W. – Suite 300, Washington, D.C. 20037
Phone (202) 589-0880
E-mail: info@fedfin.com www.fedfin.com