



FedFin Daily Briefing

Friday, January 13, 2023

Another GSE Comes Under a Regulatory-Capital Rewrite

A little-noticed GSE – Farmer Mac – has long been criticized by agricultural lenders for reducing competition in this critical sector based in part on unduly-advantageous capital rules. Now, the Farm Credit Administration – the GSE’s regulator – has issued an advance notice of proposed [rulemaking](#) to consider whether and how to align Farmer Mac’s capital more closely to the Basel banking standards. The current capital construct is loosely akin to the bank standardized approach but contains many exemptions that FCA now fears may not ensure Farmer Mac resilience. The ANPR also seeks views on the extent to which Farmer Mac standards can instead or also be guided by FHFA’s capital rules for Fannie and Freddie; were the FCA to do so, then credit risk transfer could become a significant aspect of Farmer Mac operations much as has become the case for the housing GSEs. Comment on the ANPR is due sixty days after *Federal Register* publication.

Fed Records Expected Loss Congress Will Assess

The Fed today released its preliminary 2022 income and expense [data](#), detailing \$18.8 billion in deferred assets following its suspension of Treasury remittances. It also reports an increase in total interest expense from \$5.7 billion in 2021 to \$96.6 billion in 2022, \$55.1 billion of which was due to depository institutions and \$41.5 billion related to the ONRPP. The Fed is at great pains in its release to make it clear that its losses have no policy or resilience implications, but we expect them nonetheless to have political ramifications. As detailed in our [issue brief](#) and a recent Petrou [memo](#), Congress under acute deficit pressure is likely to attempt to recapture interest paid to private financial institutions. Indeed, increasing the odds of a serious effort to do so is that Rep. Andy Barr (R-KY) – a longstanding opponent of interest on reserves – now chairs the HFSC Monetary Policy Subcommittee.

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](#).

- **CRYPTO38**: Karen Petrou’s [memo](#) earlier this week and her comments to the [American Banker](#) about Silvergate have sparked many client questions.
- **GSE-011123**: As the Fed has hiked interest rates, mortgage rates have of course also gone up, sending a sudden chill through the residential market and putting home ownership even more out of reach for all but those for whom the home equity they still have after prices correct suffices for long-term wealth accumulation.
- **GSE-010523a**: FHFA’s latest [scorecard](#) for Fannie, Freddie, and CSS reiterates Director Thompson’s

overarching objectives for Fannie and Freddie in the new era of equitable finance, CRT, and capital compliance.

- **[GSE-010523](#)**: As we previously [noted](#), the U.S. banking agencies will finally, finally, finally get around to proposing their version of the Basel IV capital rules more recently dubbed the “end-game” standards.
- **[CRYPTO37](#)**: The Basel Committee has finalized its second try at global standards governing bank cryptoasset exposures, laying out a path that U.S. agencies plan quickly to implement even as Congress continues to wrestle with this fast-changing sector.
- **[DEPOSITINSURANCE117](#)**: In the wake of increasing instances in which customers are confused and even misled about the extent to which fintech and cryptoasset holdings are insured deposits, the FDIC is proposing new standards addressing this problem as well as ways to modernize IDI representations of their own FDIC-insured offerings in branches and through the fast-changing array of retail banking delivery channels.
- **[LIBOR9](#)**: Shortly before its statutory year-end deadline, the Federal Reserve finalized its proposal defining legacy-contract benchmarks when there is no clear, practicable contractual fallback rate.
- **[CONSUMER47](#)**: The CFPB is proposing to create a public registry of certain enforcement actions that would initially cover nonbanks (including BHCs) with a goal of drawing public and enforcement-agency attention to what the Bureau’s director calls “serial offenders.”
- **[GSE-122122](#)**: Finally taking what was supposed to be an “interim” [final rule in 2009](#), FHFA yesterday finalized a variation on Mark Calabria’s 2020 new-product [proposal](#).
- **[CONSUMER46](#)**: In this report, we provide an in-depth assessment of the CFPB’s unprecedented \$3.7 billion [settlement](#) earlier today with Wells Fargo (WFC).
- **[FSOC28](#)**: [As promised](#), this FedFin report provides an in-depth analysis of FSOC’s 2022 [annual report](#), focusing on findings with near-term policy implications.
- **[GSE-121922](#)**: [As promised](#) Friday when FSOC’s [annual report](#) was released, we here go into depth on its implications for residential housing.
- **[CONSUMER45](#)**: Despite early warm goodbyes to outgoing Chairwoman Waters (D-CA), GOP members wasted no time trading blows at a fiery HFSC session today with CFPB Director Chopra.
- **[CRYPTO36](#)**: Senate Banking Committee Chairman Brown (D-OH) today backed away from prior statements about crypto legislation, focusing instead on the prospect of additional investigations into failing crypto firms and ongoing work with Secretary Yellen on a government-wide regulatory framework.