FedFin Daily Briefing

Wednesday, January 18, 2023

FSB Pledges Further Work on Bank NBFI Capital Exposures, MMFs, OEFs

The FSB today published an update on its non-bank financial intermediation (NBFI) reforms, finding that further progress is needed in implementing capital requirements for bank exposures to investment funds and large exposures. More work is also needed on MMFs, securitization, and securities financing transactions. As a result, the FSB, along with IOSCO, plans to conduct a review of MMF resilience reform implementation, publishing a status update by the end of 2023 and an assessment of the measures' effectiveness in addressing financial stability risks by 2026. The two organizations also plan to address asset management vulnerabilities by revising the 2018 IOSCO OEF liquidity mismatch recommendations, developing guidance on the use of LMTs, enhancing the availability of OEF-related data, and promoting the use of stress testing. Timing for these objectives is not given.

CFPB Tells Examiners To Look At Servicer Fees, Foreclosure Process

The CFPB today released updated Mortgage Servicing Examination Procedures reflecting newly identified consumer risks since its 2016 update as well as pandemic-era servicing changes. Due to the success of streamlined loss mitigation options, the Bureau expects servicers to continue to use them, a requirement the Bureau also defined in a 2021 rule by permitting streamlined loan modifications without requiring borrowers to submit paperwork for all possible options. The updated procedures also direct examiners to ask questions about the fees servicers charge borrowers (e.g., phone pay fees) and seek out foreclosure misrepresentations. Examiners are also told to obtain information on how the servicers communicate with borrowers about homeowner assistance programs.

FRB-NY: Small Banks Behind Recent Discount Window Lending Spike

A new post from FRB-NY staff looks at why discount-window lending has recently increased, providing data that make it still more interesting that Silvergate chose emergency support from Home Loan Banks, not the Fed. The study shows that the bulk of recent discount-window lending has gone to small banks, a fact the FRB-NY staff attribute to less market scrutiny that obviates the "stigma" concern that keeps large banks from using the discount window. We would also note that smaller banks do not come under the large-bank liquidity rules, allowing them to include discount-window advances in their liquidity-planning procedures. The post also attributes lower use of FHLB advances among small banks in 2022 to the FHLBs' positive tangible capital requirement. In a rising rate environment, this creates an additional discount window disincentive for some small banks. The post also brings out the fact that the FRB has retained what were supposed to be emergency changes to the discount window – i.e., no penalty rate and longer tenors.

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.

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