



FedFin Daily Briefing

Wednesday, March 1, 2023

What's Next For McHenry Privacy Bill

As we anticipated [yesterday](#), HFSC reported H.R. 1165, Chairman McHenry's privacy bill, on a party-line vote of 26-21. Discussions this morning lead us to conclude that Mr. McHenry plans to consider additional changes that could be made via a manager's amendment when bringing the bill to the House floor given that its fate there is uncertain given the GOP's slim majority. In the absence of enforcement provisions, the bill would be problematic on enactment, with the likely compromise Mr. McHenry attempts assigning enforcement to bank functional regulators – not the CFPB – and setting federal standards for state enforcement of data aggregators and other nonbanks, even if state licensing or other procedures otherwise do not apply. There is some thought that the chairman might also accept a preemption compromise along lines floated yesterday by Rep. Foster (D-IL), but at present this seems unlikely. Compromise on this and other points critical to House Democrats will proceed only if – and this is a big if – Chairman Brown (D-OH) indicates willingness to advance privacy legislation in the Senate that could form the basis of a compromise conference bill later in the session.

CFPB Targets Public-Benefits Finance

The CFPB today published a “[spotlight](#)” examining numerous fees it says “erode” public benefit programs delivered through various financial products. Focusing in particular on prepaid cards, the spotlight states that the Bureau will monitor and may take action against entities violating consumer protection laws in the delivery of cash assistance. This comes following a major enforcement [action](#) in this area against Bank of America and reports of others pending against large banks. The CFPB staff analysis finds that consumers are often encouraged to receive cash assistance through a financial institution rather than direct deposit and that the decentralized nature of these programs leads to product inconsistency and impaired consumer choice. Based on this, Director Chopra observes that “unnecessary” fees and “poor” customer service hurts cash assistance recipients. In addition to heightening industry surveillance, the Bureau will also share its findings with federal and state agencies that administer public benefits programs in an effort to boost competition. This release thus combines features of the Bureau's "junk-fee" campaign ([see FSM Report CONSUMER38](#)) with its outreach to other [authorities](#) to launch a new campaign it hopes via reputational-risk mitigation various institutions and enforcement actions will redress the practices of concern related to public benefits.

Treasury Sets Out Steps Seemingly Towards A U.S. CBDC

Following up the President's executive order on digital assets ([see Client Report CRYPTO26](#)) and Treasury's subsequent report ([see Client Report CBDC14](#)), Under-Secretary Nellie Liang today [outlined](#) next steps leading to the Administration's decision about CBDC benefits that will strongly guide the Fed's CBDC final call. Ms. Liang details how CBDC and FedNow each have benefits, describing how CBDCs generally

work and could function in the U.S. Aspects of Ms. Liang's discussion echo those last week from the [BIS](#) and [IMF](#) about a "unified ledger," with the Treasury official noting for example that wholesale CBDC could facilitate not only interbank settlement, but also risk-free securities settlement. She also notes that the extent to which retail CBDC accomplishes policy goals depends on its design, with Treasury thus convening a working group with the Fed and White House to consider these and other issues presented by a U.S. CBDC in the context of Treasury policy goals. These include the extent to which a USD CBDC affects the dollar's reserve-currency status, with Ms. Liang noting that a CBDC could further advantage the dollar's status as well as ease cross-border payment friction. Treasury is also focused on national security, illicit finance, privacy, and inclusion. Treasury will also work via the new group with international CBDC efforts to promote standard-setting and technology development. No schedule or deadline for a final CBDC working-group report or Administration policy is provided.

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-030123](#): A recent FRB-Atlanta [study](#) finds that closing the racial homeownership gap alone would not redress housing market racial disparities because minority homeowners cannot equitably access home equity and thus enjoy comparable access to the economic opportunities afforded by homeownership.
- [SANCTION20](#): In a remarkably bipartisan session, the Senate Banking Committee today made it clear that Congress wants tougher sanctions against Russia, near-term action against hold-out nations to oil-price caps and other efforts, and perhaps even confiscation of Russian assets to fund U.S. Ukraine aid.
- [CRYPTO40](#): In the wake of revelations by Silvergate and other banks about significant deposit exposures to cryptoasset entities, federal banking agencies have issued a statement about the need to manage liquidity risk associated with cryptoassets.
- [GSE-022723](#): FHFA has proposed a set of refinements to the current GSE [capital construct](#).
- [CUSTODY5](#): Making full use of powers granted in the 2010 Dodd-Frank Act, the SEC is proposing a wholesale rewrite of the rules dictating how investment advisers must place assets in custody and which institutions are considered qualified for this purpose.
- [GSE-022123](#): As we noted, FHFA is venturing onto treacherous political ground with a [request for input](#) on expanding Fannie and Freddie's ESG imprint.
- [CRYPTO39](#): Although Chairman Brown (D-OH) remained non-committal on the need for crypto legislation, he emphatically called for reform to protect consumers and investors.
- [GSE-021323](#): Following our [initial report](#), we turn here to a more detailed analysis of what's in store for the Home Loan Banks following the [Brookings high-impact forum](#) on Home Loan Banks that are also facing far more unflattering public attention than has been their fate for years.

- [CREDITCARD36](#): Following on a controversial advance notice of proposed rulemaking, the CFPB has now released an NPR setting specific standards for credit-card late fees that also eliminates the inflation adjustments established by the Federal Reserve when implementing the 2009 credit-card law.
- [GSE-020623](#): A new [post](#) from the Federal Reserve Bank of Atlanta summarizes key findings from recent pandemic-era mortgage refinancing research, reiterating [prior findings](#) that more White mortgage borrowers got lower refinancing interest rates in 2020 compared to Blacks.