FedFin Daily Briefing

Wednesday, April 5, 2023

FDIC Joins CFPB Targeting UDAP

The FDIC today published Consumer Compliance Supervisory Highlights showing that UDAP violations related to NSF representment constituted the second highest number of total citations and were by far the largest number of serious citations in 2022. The FDIC reiterates August guidance that third-party arrangements related to re-presented items may present numerous risks. We note that the FDIC's UDAP focus is new under Chairman Gruenberg and comes at a time when the CFPB is expanding the reach of its own UDAAP enforcement powers with a focus in part on overdrafts and NSF practices. As a result, we expect the FDIC to join with the CFPB if sanctioned institutions fall under its jurisdiction. The Highlights also note that examiners are finding problems with RESPA violations through bank referral arrangements, FCRA trigger leads, and Fair Lending problems warranting DOJ referrals. Credit reporting failures remained the top consumer complaint received by the FDIC.

IMF Staff Highlight New Systemic Risk: Geopolitical Stress

At a panel event today, IMF staff reported that their model-based study in the IMF's global financial stability report found that geopolitical risks and global fragmentation gravely threaten financial stability by weakening interconnectivity between geopolitical blocs. Their model found that increased fragmentation results in reduced cross-border banking between blocs, higher lending costs, substantial diversification losses among G7 countries, and reduced bank profitability. Staff also drew a link between the war in Ukraine and the recent banking crisis, arguing that the war's inflationary pressures led to an aggressive monetary policy reaction, revealing bank vulnerability to interest rate risk. The report recommends that policymakers and financial institutions should conduct quantitative geopolitical risk assessments, strengthen crisis preparedness and management frameworks, and prioritize international cooperation.

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-040323:** We have written from time to time about covered bonds.

- **REFORM219:** With Thursday's White House announcement, we know that the Administration will do its best to support Fed and FDIC efforts to color recent events as a failure of Republican-led rulemaking, not also one of agency supervisory acumen, speed, and even competence.

- **REFORM218:** Today's HFSC hearing on recent bank failures was more partisan than yesterday's Senate Banking session (see *Client Report* **REFORM217**).

- **REFORM217:** Today's Senate Banking hearing was extremely well-attended by Senators on both sides of the aisle clearly looking first to understand what precipitated recent bank failures, who is to blame, and what should be done next.

- **RESOLVE50:** As noted yesterday, the FDIC's recent rescues have had several unusual features with implications not only for future policy, but also for pending special assessments to replenish the DIF for the $22.5 billion estimated costs to the Deposit Insurance Fund.

- **RESCUE79:** Recent editorials and other media have often said that the FRB and/or FDIC have powers or taken actions that is not the factual case as we understand it.

- **GSIB21:** In this report, we assess the implications of recent events on two assumptions underlying current U.S. and global policy affecting GSIBs and those considered domestic SIBs: first, all are likely to be well insulated from illiquidity and/or insolvency and, when this is not the case, then orderly resolution without taxpayer bailout can be readily deployed.

- **LIQUIDITY33:** Among the most vexing issues in the wake of SVB's failure is the extent to which social media may have led to the first "viral run," a run akin to the meme-stock volatility that lead the SEC and others to fear a new form of "flash-crash" risk.

- **GSE-032023:** In this report, we build on FedFin's in-depth reports about recent bank failures to detail new risks for all of the innocent bystanders in the U.S. mortgage market along with a not so-innocent bystander: the Federal Home Loan Banks.

- **REFORM216:** In this report, we continue our policy postmortem of SVB/SBNY and, now, so much more.

- **DEPOSITINSURANCE118:** As promised in our first post-SVB impact assessment (see *Client Report* **RESOLVE49**), this report begins a series of analyses of specific policy issues.

- **RESOLVE49:** As we noted last night, the President concurred with Treasury, the Fed, and FDIC in deciding that SVB's Friday failure and imminent runs on Signature Bank and, most likely, others posed a systemic risk.

- **GSE-030923:** As detailed in our reports earlier this week on Powell's appearance before Senate Banking and HFSC, much was said about the pending rewrite of big-bank capital standards.

- **FEDERALRESERVE73:** At today's HFSC hearing, Chairman Powell modulated his hawkish stance just a bit, continuing as he long has done to refuse to take a stand on fiscal policy while advocating for rapid debt-limit action.

- **FEDERALRESERVE72:** Although Chairman Powell's testimony kept exclusively to monetary policy, today's Senate Banking hearing seemed only to go through the motions set at previous hearings with regard to inflation, growth, and the Fed's long-term objectives.

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
© 2023. Federal Financial Analytics, Inc. All rights reserved.