



Monday, May 22, 2023

HFSC Set To Tackle LLPAs, GSE Policy

As [noted](#), HFSC tomorrow will grill FHFA Director Thompson. Republicans will surely emphasize their opposition to recent LLPAs laid out at a subcommittee [hearing](#) last week; Democrats will continue to defend them. HFSC is set to mark up legislation on Wednesday to overturn these fees, legislation likely to advance by party-line votes in the House and then never be brought up in the Senate. According to the staff [memo](#), HFSC may also look at a raft of recent actions listed in the memo, perhaps sparking GOP criticism also of various FHFA ESG and equitable-finance actions. The pending Home Loan Bank [inquiry](#) is mentioned, but not discussed.

Americans Struggle With Inflation, Savings; Bank Use Stable

Although the Fed's latest economic well-being [study](#) has grim macro results with significant political consequences, it also finds that 94 percent of Americans in 2022 had banking relationships, an unchanged rate from 2021 although gaps remain by age, race, ethnicity, and disability. Crypto use is down two percent from 2021, now standing at an overall ten percent rate but Black and Hispanic households disproportionately use crypto for payments (six percent and four percent versus one percent for whites). Blacks and Hispanics were also turned down more for credit cards, with BNPL use up two percent overall from 2021 to a level of 12 percent, with a rate of 21 and 19 percent respectively for Blacks and Hispanics. The inability to save for a downpayment is cited by two-thirds of renters as the reason they have not purchased a home, with progress towards saving for a retirement also faltering in 2022. Only 31 percent of Americans said they were using a retirement savings plan, down from forty percent the year before; still, 79 percent of retired Americans say their resources suffice.

Kashkari Disputes Need For Broad Reg Rewrite If Big-Bank Capital Goes Way Up

Renewing his [campaign](#) to hike large-bank capital ratios, FRB-Minneapolis President Neel Kashkari today [said](#) that higher capital requirements would have prevented recent failures and that additional, over-complex rules are poor substitutes for them. He takes particular issue with the need to redesign current stress tests, noting that both he and others at the Fed failed to anticipate inflation and risks associated with Treasury bonds, that current tests thus missed emerging risks, and that future tests are likely just as prone to human error. Mr. Kashkari thus also takes issue with the Barr agenda, albeit from a totally different perspective than Gov. [Bowman](#).

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](#).

- **REFORM226**: Describing the CEOs' statements at his last hearing as "the dog-ate-my-homework" excuses for grievous failings, Senate Banking Committee Chairman Brown (D-OH) also attacked Republicans for placing blame on monetary policy, not the culture of supervisory laxity he details with various quotes from Trump Administration officials.

- **[CRYPTO44](#)**: Although there were still considerable party-line differences of opinion on stablecoin legislation, today's HFSC Digital-Assets Subcommittee hearing suggests that remaining divides are narrowing, increasing the odds of a new federal-regulatory framework.
- **[GSE-051723](#)**: With Republicans on the anti-LLPA warpath, FHFA is hoping to preserve as much of the current fee structure as possible without paying too high a political price, issuing a [request for information](#) (RFI) in hopes that letter-writing will keep everyone busy until Congress moves on to other matters.
- **[REFORM225](#)**: A joint hearing today of HFSC's Financial Institutions and Oversight Subcommittees expanded on themes at yesterday's full Committee session with bank regulators ([see Client Report REFORM224](#)) and Senate Banking's session with SVB's and SBNY's [CEOs](#), with First Republic's CEO now added to the Congressional firing line.
- **[REFORM224](#)**: In their first appearance following the reports on recent failures, FRB Vice Chairman Barr and FDIC Chairman Gruenberg were harshly criticized by Republicans for both the bank failures and recommended remedies.
- **[DEPOSITINSURANCE120](#)**: As the law requires and the FDIC Chairman promised after SVB and Signature Bank were declared systemic, the FDIC has now proposed a special assessment to compensate the Deposit Insurance Fund (DIF) for the cost of backing the two banks' uninsured deposits.
- **[CRYPTO43](#)**: Today's joint HFSC-House Ag hearing on assessing crypto's regulatory gaps saw bipartisan calls for Congressional action, but none on what that should be done.
- **[GSE-050923](#)**: As [our in-depth report](#) earlier today details, the Fed's latest financial-stability [report](#) pulls a lot of punches because, as always, it's afraid to frighten the children with frank discussion of what might actually threaten financial stability in the near term.
- **[SYSTEMIC96](#)**: Perhaps because its last financial-stability report ([see Client Report SYSTEMIC94](#)) was contradicted just five months later by a systemic-risk designation, the Federal Reserve's latest [report](#) eschews a conclusion about prospective risk in favor of a review of current concerns.
- **[SIFI35](#)**: In concert with proposing a new systemic-risk methodology, the Financial Stability Oversight Council sought comment on guidance that significantly rewrites the manner in which nonbanks are designated as systemically important financial institutions (SIFIs).
- **[DEPOSITINSURANCE119](#)**: In this report, we follow our initial [assessment](#) of the FDIC's deposit-insurance reform [report](#) with an in-depth analysis of its recommendations and their prospects.
- **[REFORM223](#)**: Following our analyses of the Fed's report on SVB ([see Client Report REFORM221](#)) and the FDIC's on SBNY ([see Client Report REFORM222](#)), we turn now to [one](#) from the General Accountability Office sure to have at least as much impact on bipartisan consideration of what needs next to be done to govern regional banks.
- **[REFORM222](#)**: In this report, we build on our assessment earlier today of the Fed's SVB autopsy ([see Client Report REFORM221](#)) with an assessment of the FDIC's self-review of Signature's failure.
- **[REFORM221](#)**: In this and subsequent reports, we build on our initial reactions to SVB/SBNY reports from the Fed, FDIC, and GAO, focusing in more depth on the agencies' plans for near-term action with strategic consequence and key points in the GAO's report that will strongly influence Hill reactions on both sides of the aisle.
- **[GSE-042723](#)**: FSOC's newly-proposed analytical methodology for [systemic risk identification](#) is most immediately important for nonbank mortgage companies and the regulated institutions that love them.