



HFSC ESG Efforts Tackle Insurance Risk Pricing

Today's HFSC Subcommittee hearing on ESG's housing and insurance market impacts focused almost entirely on insurance. Chairwoman De la Cruz (R-TX) argued that ESG regulations drive up home costs and distort insurance and homebuilding markets, while Ranking Member Cleaver (D-MO) asserted that climate risk is material to insurance costs, calling for long-term housing resiliency solutions. The three Republican witnesses blasted what they called regulatory overreach for driving up insurance costs and argued that ESG-regulations overburden homebuilders and cause supply chain problems. The Democrats' sole witness countered that insurance is not the main factor affecting housing affordability, flagged the global and "unregulated" reinsurance industry for driving up costs, and called for public reinsurance programs. In the Q&A, full committee Ranking Member Waters (D-CA) boosted her housing bills and excoriated corporate landlords. Rep. Luetkemeyer (R-MO) argued that stronger incentives to use the reinsurance market would drive down insurance costs, while Rep. Velazquez (D-NY) asked how the Committee could drive greater capacity in this market; Caroline Nagy of AFR said that the federal government has a strong role to play and flagged FIO's recent data [request](#) as an important step. Rep. Fitzgerald (R-WI) promised that he and other Republican members would seek to repeal FIO's subpoena power in the coming weeks.

HFSC Republicans Target Bank Supervisors

The HFSC memo ahead of next week's hearing looking at the political independence of the [banking agencies](#) makes it clear that top agency supervisors will principally be grilled on climate-risk initiatives. However, bills on which the session will set a record would require prior Congressional notice prior to action on any initiative advocated by the FSOC or an executive order. A similar measure would cover mandatory Congressional reports for U.S. actions implementing NGO recommendations, presumably including those of the Basel Committee and other global bodies, with another bill also mandating Congressional reports when U.S. bank regulators attend international NGO meetings. Another bill reverses the Dodd-Frank Act and eliminates an express vice chairmanship for supervision on grounds that it has led to "mission creep." None of these bills will advance, perhaps not even in HFSC, but all speak to the pressure being put on the banking agencies. Interestingly, the CFPB is not being similarly held to account even though its actions are often more clearly aligned with White House [initiatives](#).

Senate GOP Targets "ESG" Lending, Ideological Bias

Sens. Vance (R-OH), Lummis (R-WY) and Marshall (R-KS) yesterday introduced [legislation](#) that would bar regulators from taking action against any regulated entity based on fears of reputational risk and establish a Treasury special IG tasked with collecting tips on regulatory misconduct with a focus on ideological bias. The IG would be responsible for investigating allegations of misconduct by the FDIC, NCUA, Fed, OCC, SEC, CFTC, FHFA, and CFPB, offering recommendations or submitting quarterly reports to Congress on the nature and number of complaints. The bill follows House Republicans signaling ahead of hearings that they would pick up longstanding GOP efforts to sanction banks that do not lend to creditworthy legal businesses ([see FSM Report ESG3](#)). Although the Vance bill is backed by several Ohio financial groups, it is unlikely to advance in the Senate.

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-071123](#)**: As we detailed [yesterday](#), FRB Vice Chair Barr laid out what he called a holistic view of bank capital standards that encompasses [end-game rules](#), stress testing, post-SVB lessons, GSIB restrictions, and resolvability.
- **[CAPITAL228](#)**: FRB Vice Chairman Barr's speech [today](#) outlines near-term U.S. regulatory-capital policy, confirming our [earlier assessment](#) that a sweeping proposal will soon be released.
- **[GSE-070523](#)**: As an in-depth FedFin analysis today addresses ([see FSM Report REALESTATE25](#)), the banking agencies and NCUA late last week issued far-reaching [guidance](#) encouraging loan accommodations and even forbearance for troubled commercial real estate (CRE) projects, including multifamily obligations.
- **[REALESTATE25](#)**: The banking agencies and NCUA have agreed on a final policy statement providing guidance for how financial institutions are to handle troubled commercial real estate loans, giving banks considerable latitude to forbear when borrowers are unable to meet their obligations but are deemed to be able to pay at least some of it over time.
- **[GSE-063023](#)**: In non-public remarks ahead of a presentation by FedFin managing partner Karen Petrou, Sen. Jack Reed (D-RI) laid out what he thinks banking agencies will do next, doubtless based on what they've told him that they'll do next.
- **[COMPENSATION37](#)**: The Senate Banking Committee has overwhelmingly approved bipartisan legislation to reform executive compensation following larger insured-depository institution (IDI) failures, with parent-company executive compensation also at risk in some circumstances.
- **[ESG4](#)**: Late Friday, GOP HFSC Members issued a withering [report](#) criticizing the Biden Administration for using financial regulators to do its political bidding on ESG objectives that it believes "contort" financial regulators into political instrumentalities that put retail investors at risk.
- **[GSE-062223](#)**: A [Bloomberg article](#) tells a fascinating tale of high-flying personal real-estate investment and other alleged acts of self-dealing at the expense of the seemingly-hapless Federal Reserve Bank of San Francisco.
- **[FEDERALRESERVE74](#)**: Chairman Powell's HFSC appearance today led to unusually substantive discussion of pending financial-policy actions.
- **[GSE-061523](#)**: The FHFA's [report to Congress](#) this year was eagerly awaited to see if it shed any insight into what FHFA might do after its listening [sessions](#) and Sandra Thompson's [promise](#) to do something sometime soon about the Home Loan Banks.