



Wednesday, January 10, 2024

HFSC's HUD Hearing to Trod Partisan Ground

HFSC's majority staff [memo](#) on Thursday's hearing with HUD Secretary Fudge makes it still clearer that the session will focus on affordable housing, homelessness, and public-housing agencies in cities such as New York and Washington, D.C. However, FHA will be a major focus, with the staff memo highlighting the extent to which FHA forbearance and related programs unduly encourage "permissive" delinquencies. Bills under consideration address appraisal access, HUD support for faith-based or similar public-housing services, IG reports on New York housing, and a GAO report on Biden affordability policy. Draft bills would authorize FHA to fund mental-health facilities and create an independent commission to investigate HUD.

HFSC GOP Slams DOL Fiduciary Rule

At today's HFSC Capital Markets Subcommittee hearing on the DOL's Fiduciary Rule, Subcommittee Chairwoman Wagner (R-MO) argued that the proposal should be withdrawn, calling it a partisan effort to eliminate "junk fees." She also asserted that it would result in higher costs, fewer choices, and reduced service, criticizing the rulemaking also on grounds that it would push consumers to fee-based, not transaction-based accounts. In addition, Chair Wagner was joined by Reps. Hill (R-AR) and Scott (D-GA) in sending a [letter](#) to DOL Acting Secretary Su and Assistant Secretary Gomez arguing that the rule would harm LMI Americans, reduce access to professional investment guidance, and impose severe compliance burdens on broker-dealers. The letter also emphasizes that existing frameworks such as the SEC's Regulation Best Interest already protect investors from abuse. Ranking Member Sherman (D-CA) supported the proposal but said that it should be significantly revised to include key aspects of the preamble in the body of the rule. He also raised broad concerns over "balkanization" in investor protection regulation. Questioning followed along these partisan lines with industry witnesses generally opposed to the rule.

HFSC Takes Partisan Approach to FSOC

At today's HFSC Digital Assets Subcommittee hearing on FSOC's systemic-designation framework ([see FSM Report SYSTEMIC98](#)), Subcommittee Chairman Hill (R-AR) questioned FSOC's approach to addressing systemic risk, claiming that the Council's revised guidance is vulnerable to abuse and unintended consequences. He pointed specifically to the guidance's removal of mandatory cost-benefit analyses, stating that the guidance disregards the district court's opinion in *Metlife v. FSOC* ([see Client Report SIF119](#)) and Supreme Court precedent. Chairman Hill also called for FSOC to support the committee's legislative efforts to craft a regulatory framework for digital assets and stablecoins rather than attempt to sidestep Congress. The Chairman also stated that he, Full Committee Chair McHenry (R-NC), and Subcommittee Chairs Huizenga (R-MI) and Wagner (R-MO) are sending a letter to SEC Chair Gensler about the Commission's recent Twitter hack. Subcommittee Ranking Member Lynch (D-MA) stated that FSOC's authority to designate nonbank financial institutions is specifically given from Congress through DFA and defended FSOC's new guidance for seeking to build upon the goals of DFA, calling Trump administration efforts to undermine FSOC nonbank designation authority "misguided." The Ranking member also warned of the growth of the shadow banking sector, stating that 47.2% of all global financial assets are held by nonbank financial intermediaries. He also laid out concerns regarding crypto-market volatility and AI.

CFPB Small-Business Reg Survives

Senate Republicans tried today to override the President's veto of the Congressional Review Act resolution [approved](#) by both Houses of Congress to repeal the CFPB's small-business reporting [rule](#). With a 54-45 vote, the two-thirds majority needed to override the veto was not reached. The rule thus stands as is.

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-010924](#): Based on recent dialogue with institutional investors and regulators, a new FRB-NY Teller Window [article](#) concludes that robust data collection, loan standardization, and higher volume could improve CDFI secondary market sales.
- [GSE-010824](#): It's not news to observe that things that change at the GSEs then change a lot of other things.
- [INCLUSION3](#): As required by law, the U.S. Treasury is working to set policy enhancing financial inclusion.
- [NBF13](#): The banking agencies have proposed significant changes to call-reporting data illuminating how banking organizations are inter-connected with nonbank financial intermediaries and to implement pending requirements for long-term debt (LTD) issuance.
- [DEPOSITINSURANCE123](#): 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 has finalized its proposal setting disclosure standards as well as modernizing IDI representations of their own FDIC-insured offerings in branches and through the fast-changing array of retail banking delivery channels.
- [GSE-010224](#): Shortly before the new year, the banking agencies proposed new call-report [requirements](#) that would force banks with over \$10 billion in assets to report new data on nonbank mortgage intermediaries and structured GSE-guaranteed positions.
- [AI4](#): Bipartisan Senate legislation has been introduced to press FSOC to do more than highlight artificial intelligence (AI) as a potential threat to financial stability.
- [MERGER13](#): Building on a request for comment and a formal draft, the Department of Justice (DOJ) and Federal Trade Commission (FTC) have finalized specific revisions to U.S. merger policy that significantly redesign the manner in which M&A transactions will be considered.
- [SANCTION21](#): [As promised](#), this report provides an in-depth assessment of President Biden's Friday [executive order](#) expanding anti-Russia sanctions via secondary ones on financial institutions that – knowingly or not – facilitate or conduct newly-identified transactions related to sanctioned persons, services, or goods.
- [ILC17](#): Senate Banking Committee Chairman Brown (D-OH) is now leading a renewed bipartisan charge to limit the ability of nonbanks to use industrial loan companies (ILCs) to gain access to bank privileges without the parent-company supervision required of all other domestic IDI parents.
- [GSE-121923](#): The CFPB yesterday released a fascinating research [blog](#) looking at cash-out refis.
- [FSOC29](#): This year's [FSOC report](#) trods much old ground with two exceptions. The first pertains to a new focus on artificial intelligence, machine learning, and new, generative technologies.

- [GSE-121423](#): In a blog post [today](#), Fannie quietly renews its quest for alternatives to traditional title insurance.