



Thursday, January 11, 2024

Paul Picks Up GAO Fed-Audit Support

Sen. Rand Paul (R-KY) has again honored his father's legacy, reintroducing legislation mandating a full GAO audit of the FRB that was the hallmark of Ron Paul's tenure as a long-time Member of the House and occasional libertarian candidate for president. Sen. Paul has long dropped this bill into the hopper, but he does so now with nine Republican cosponsors, considerably more than his prior, single cosponsor, Sen. Ted Cruz (R-TX). The senator's statement upon [introduction](#) also notes support from numerous libertarian and conservative groups, several of which demand Fed accountability for picking "winners and losers" that advantage the largest U.S. and foreign banks at the expense of community institutions. We will shortly provide clients with an in-depth analysis of a measure that stands little chance in the Senate but nonetheless speaks to the growing importance of the Federal Reserve in this year's election.

OIG Gives FHFA Passing Grade on Community Support System Improvements

Saying nothing about FHFA's plans for Home Loan Bank community [support](#), the FHFA OIG yesterday issued a [report](#) concluding that the agency has effectively addressed issues with its oversight of FHLB community support requirements by implementing an automated system for Community-Support Statement submission. The OIG first recommended the FHFA address deficiencies with its manual review process in 2015 after the agency failed to review hundreds of members on time. FHFA is now found to have reviewed 99 percent of its members subject to the 2021 biennial review by year-end 2021. However, the report notes that OIG did not independently verify FHFA's representations regarding its automated system's effectiveness or reliability. It also does not verify FHFA's assurance that only staff can place a member on probation or restriction for failing to meet a community support standard. FHFA has yet to comment on the findings of the report.

Partisan HUD Hearing Discusses FHA-Policy Options

Today's HFSC hearing with HUD Secretary Fudge was the partisan event we [anticipated](#), with Chairman McHenry (R-NC) criticizing Ms. Fudge for unresponsiveness to committee requests and obstacles in the income verification process for disabled veteran housing in his district. Ranking Member Waters (D-CA) defended Secretary Fudge and Biden housing policy. Housing Subcommittee Chair Davidson (R-OH) pointedly noted that nearly all HUD programs technically require congressional approval following expiration, with more than thirty expired programs currently operating. Subcommittee Ranking Member Cleaver (D-MO) stated that HUD funding should not be cut during a time when housing is a crucial issue. Rep. Luetkemeyer (R-MO) reiterated Republican concerns with lower FHA premiums, asking Secretary Fudge about the HUD loan portfolio's past due rate, loan loss rate, and current reserve levels. Secretary Fudge responded that loss rates are under 4%, reserves are about \$147 billion, and she is confident that FHA is resilient.

Reps. Fitzgerald (R-WI) and Garbarino (R-NY) voiced lender concerns regarding FHA loan servicing. Reps. Pettersen (D-CO) and Garbarino highlighted that FHA mortgages are assumable at their original interest rates, with Rep. Pettersen asking HUD to streamline the process and raise awareness and Rep. Garbarino suggesting that HUD raise the fee servicers can charge to make assumption requests more attractive. Financial Institutions Subcommittee Chair Barr (R-KY) argued that the Basel III Endgame proposal will have a negative impact on mortgage lending, especially for lower-income homebuyers.

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.