



FedFin Daily Briefing

Friday, February 9, 2024

Source-of-Strength Regs Remain in Limbo

As is usually the case, the Federal Reserve's semi-annual agenda in today's *Federal Register* is wholly unilluminating as to the anticipated deadlines on the pending capital, LTD, and resolution proposals nor does it indicate if it plans to do anything regarding liquidity as suggested by Acting Comptroller [Hsu](#). The only substantive long-term agenda item continues the decades-old practice of saying that the banking agencies will issue the source-of-strength proposal required by the Dodd-Frank Act ([see FSM Report FHC19](#)) at some date in the long term. This schedule appears to have taken on no added urgency despite the benefits prior holdco support might well have had on the costs to the FDIC of SVB's [failure](#).

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](#).

- [FSOC31](#): Treasury Secretary Yellen's hearing today before Senate Banking followed the path set in Tuesday's HFSC session ([see Client Report FSOC30](#)), with Ms. Yellen refusing to take a stand on matters such as the capital rules and banking-agency supervisory effectiveness.
- [FSOC30](#): As [anticipated](#), today's HFSC hearing with Treasury Secretary and FSOC Chair Yellen showcased sharp Republican criticism of the Council's nonbank designation authority ([see FSM Report SIFI36](#)), with Chairman McHenry (R-NC) and Financial Institutions Subcommittee Chairman Barr (R-KY) citing the guidance as yet another example of regulatory politicization, calling FSOC a "rogue" and "roving" regulator.
- [MERGER14](#): Although all of the banking agencies have for years promised a new bank-merger policy, none has proposed one until this OCC rulemaking.
- [PAYMENT28](#): Today's Senate Banking Committee hearing on scams and fraud in the banking system focused on the rise of P2P payment app scams, the growing popularity of traditional methods of fraud executed via wire transfer and check fraud, and emerging crypto and AI risks.
- [AI5](#): Although FSOC's latest annual report highlights AI risk, it does not request any express agency action, a hands-off approach that led to bipartisan legislation demanding a more forceful approach.
- [GSE-013124a](#): Common-stock investors clearly [think so](#), but they're a notably speculative lot and more than likely wrong.
- [GSE-013124](#): We have reviewed the 2024 scorecards FHFA [released](#) for Fannie and Freddie.
- [CONSUMER55](#): The CFPB has followed up a controversial proposal to set prices for larger-bank overdrafts exempt from certain consumer standards with a proposal to simply ban certain non-sufficient fund (NSF) fees when banks decide in real time to decline a consumer-payment request.
- [GSE-012424](#): In this report, we build on our previous analyses of the [mortgage implications of the pending capital rules](#), forecasting what's next for mortgage assets as the FRB, FDIC, and OCC wrestle with the mess Karen Petrou has elsewhere [argued](#) they brought upon themselves by careless analytics and political misjudgment.
- [OVERDRAFT12](#): Building on a bulletin and circular from late 2022 warning banks about certain overdraft

practices, the CFPB has now proposed a rule that would sharply and expressly limit fees for extensions of credit related to overdrawn transaction accounts unless the account comes under an array of consumer-protection requirements.

- **GSE-012224**: A new Fed [staff study](#) uses models to conclude that government-backed mortgage securitization exacerbates financial crises, contradicting conventional wisdom that – GSE blow-ups notwithstanding – properly-regulated GSEs create a liquid, diversified asset pool for an otherwise illiquid, risky asset class.
- **GSE-011224**: A new [staff paper](#) from the Federal Reserve Bank of New York assesses the tender topic of bank mortgage lending to minority borrowers.