FedFin Daily Briefing

Friday, February 16, 2024

Barr Points to Tough New Fed Supervisory Strategy

FRB Vice Chair Barr today updated FRB efforts to enhance bank supervision since its SVB post mortem revealed severe failings (see *Client Report* **REFORM221**). Various internal efforts are under way, but the talk indicates no specific new initiatives beyond far greater focus on near-term CRE risk with an eye in particular to adequate provisioning. The System is now improving supervisory rigor, coordination, and escalation protocols, with Mr. Barr also laying out how Fed supervision has become significantly more rigorous in the last year. He reiterated that the goals of supervision are not to manage banks or prevent failure, but to ensure resilience and compliance along with preventing systemic risk.

CFPB Report Continues Credit Card Attack

Buttressing its controversial credit-card late-fee proposal (see FSM Report **CREDITCARD36**), the CFPB today issued a report finding that the 25 largest credit card issuers charged interest rates eight to ten percentage points higher than small-and-medium-sized banks and credit unions. The report states that higher rates among large issuers persist across credit scores, with large issuers also more likely to charge annual fees. The report also identifies by name fifteen issuers who reported cards with interest rates above thirty percent. The data come from the first set of results from the updated Terms of Credit Card Plans survey. In a statement alongside the report, Director Chopra stated that the CFPB will be "accelerating its efforts to ensure that consumers can access better rates that can save families billions of dollars per year." No specific initiatives are named.

House GOP Tries to Speed Bank M&A

Following up a letter sent to the federal banking agencies in October, HFSC Financial Institutions Subcommittee Chair Barr (R-KY) and Rep. Fitzgerald (R-WI) today introduced the Bank Failure Prevention Act, a bill to require the Federal Reserve to act on bank merger applications within ninety days. The bill would also require the central bank to acknowledge the application's completion within thirty days, with approval automatically granted for any application not serviced within the ninety-day window. Rep. Barr stated that the bill would help free M&A from "regulatory paralysis;" Rep. Fitzgerald noted an expected wave of consolidation to overcome regulatory compliance burdens. Notably, the bill would do nothing about delays for applications stalled at the IDI level at either the FDIC or OCC, a prospect made still more likely by the OCC's proposed merger policy (see FSM Report **MERGER14**). Regardless, even if this bill advances in the House, it will not progress 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-021624:** In this report, we build on our in-depth analysis yesterday of the Fed's new stress-test scenarios to focus on their mortgage-market impact.

- **STRESS32:** In this report, we assess the strategic and policy implications of the Fed's new stress-test regime.

- **LIQUIDITY34:** Today's HFSC Financial Institutions hearing on emergency liquidity featured much discussion of reform, but few indications of any action Congress will take to advance it apart from support for pending agency efforts to enhance discount-window readiness.

- **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.

Federal Financial Analytics, Inc.
2101 LStreet, N.W. – Suite 300, Washington, D.C. 20037
Phone (202) 589-0880
E-mail: info@fedfin.com www.fedfin.com