FedFin Daily Briefing

Tuesday, March 5, 2024

CFPB Fires All Cylinders on Credit Card Fees

In conjunction with a new White House "price-gouging" initiative today ahead of the President's address, the CFPB finalized its controversial credit-card late-fee proposal (see FSM Report **CREDITCARD36**). We will shortly provide clients with an in-depth analysis of this rule, with an assessment in your hands later today of the Bureau's new circular essentially banning most marketing comparison-shopping and lead-generation sites. This is particularly aimed at credit-card companies due to Director Chopra's view that the industry is already uncompetitive ahead of the pending CapOne/Discover merger. Assertions in a recent study that large banks charge the highest fees are reiterated in the announcement accompanying the new late-fee rule, which on initial review does not appear significantly changed from the proposal. Card fees would generally be forced from the current, $32 level to $8 according to the release. In a statement this morning, HFSC Chair McHenry (R-NC) castigated the rule, which will surely be subject to Congressional Review Act repeal in the House with certain veto should it survive the Senate.

Presidential Strike Force Targets Financial-Services Fees, Mergers

In conjunction with the CFPB's new credit-card fee standard, the White House today announced a "strike force" attacking what it believes to be price-gouging across the U.S. economy. The card-fee action is part of the campaign against "junk fees," which the White House today indicated is also targeting housing, food, health care, pharmaceuticals, and other financial services. The President has also ordered the FTC and DoJ to take a hard stand against anti-competitive mergers based on their new guidelines (see FSM Report **MERGER13**), a stand that will surely not facilitate one pending merger and any other non-emergency deals in the regional-bank sector. Overdrafts per the CFPB's pending proposal (see FSM Report **OVERDRAFT12**) are part of this initiative, which is also aimed at retirement advice pursuant to a pending Department of Labor standards mandating that services be in the investor's best interest. We will later today provide clients with an analysis of the CFPB's new stand against comparison chopping and lead generation, also mentioned by the White House as part of its campaign.

Interchange, Small-Dollar Lending Bills Added to House Docket

Although Thursday's HFSC Financial Institutions' hearing will be a largely partisan review of the "politicized" nature of bank regulation, bills on the docket include a draft measure from Rep. Luetkemeyer (R-MO) requiring the FRB to conduct a quantitative study of the implications of its pending interchange rule before finalization (see FSM Report **INTERCHANGE12**). This bill would at the least slow it down and stands a good chance of passing the house. However, Majority Leader Durbin (D-IL) will ensure it does not reach the Senate floor. A bill from Rep Kim (R-CA) to be introduced would facilitate small-dollar bank lending; it might advance in both Houses based on its specifics.

McHenry Supports At Least Some Liquidity-Reg Rewrite

Redoubling his campaign against the capital proposal, HFSC Chairman McHenry (R-NC) today made it clear that he does support at least some revisions to liquidity rules. This is particularly true when it comes to ensuring discount-window access, which the Chairman stated needed to be modernized to match the speed of bank runs. Much of his comments also focused on last March's failures, with Mr. McHenry also reiterating that the Fed's review of its own regulatory practices was "self-reverential." He discounted the need for FHLB reform, saying he does not believe it is the highest current priority, stating that deposit-insurance reform is also “highly unlikely.”

IMF Looks Under U.S. Bank “Weak Tail”

Looking at U.S. bank failures one year later, the IMF today released a global financial stability note finding that the “weak tail” of U.S. banks continues to present a possible systemic risk despite ongoing supervisory and regulatory efforts. The note takes no stand on the extent to which federal agencies have succeeded in addressing the lapses clearly identified last year, noting only that numerous efforts are underway. Concentrations of CRE risk are deemed particularly problematic, but the agencies are again said to be addressing them. The note also urges all bank supervisors to have the “will to act,” as well as the authority to do so still lacking in many nations.

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.

- **CONSUMER56:** The CFPB has issued a circular essentially banning digital and perhaps all other consumer-finance comparison-shopping and lead-generation tools for credit cards and other products not covered by prior orders.

- **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.

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