



Tuesday, March 12, 2024

Hsu Says Opsrisk Not Cured by Capital, Liquidity

In remarks today on [operational resilience](#), Acting Comptroller Hsu notes that operational risk is not “a problem that capital or liquidity can solve.” Karen Petrou has noted this [most recently](#) with regard to the operational-risk capital rules included in the current proposal, which are founded on the longstanding regulatory assumption that capital indeed buffers operational risk. Mr. Hsu does not elaborate on this seeming policy contradiction, instead detailing a growing “threat surface” and laying out how increasing bank reliance on third-party vendors heightens it. The talk then goes on to detail operational-resilience standards since 2001 and the growing body of U.S. national and global actions to address new risks such as cybersecurity. As noted, the Federal Reserve [last week](#) issued new operational resilience standards for critical FMU infrastructure.

Senate Talk of Affordable Housing Turns to FHLB Role

At today’s Senate Banking Committee affordable-housing [hearing](#), Chairman Brown (D-OH) [again](#) called for the Fed to cut interest rates to address the crisis. The hearing also touched on the role FHLBs can play, with Sen. Lummis (R-WY) stating her intentions to work with the system to expand its impact on the housing supply shortage. Sen. Cortez-Masto (D-NV) noted that the subsidy FHLBs receive has little impact on housing, highlighting her work to update the FHLB Mission Implementation Act to double the FHLB’s contribution to Affordable Housing. Sen Tillis (R-NC) criticized FHFA’s [rule](#) which he said increased fees on homebuyers with good credit while lowering those for riskier borrowers. While policy came up, politics was also in clear evidence as Republicans pressed for Sen. Scott’s (R-SC) housing bill focused on financial literacy and regulatory “red tape.”

CFPB to Proceed to Mortgage-Fee Rulemaking

NEC Director Brainard today [said](#) that the CFPB will pursue a rule or similar action to curtail mortgage-closing “junk” costs along the lines we identified following last week’s Bureau [post](#) in conjunction with the new White House competition [strike force](#). It seems likely that the Bureau will build on FHFA’s initiative related to [title insurance](#) to target lender title on all mortgages, not just those purchased by the GSEs, also attacking discount fees, refi-closing costs, and credit reporting. Asked about the GSEs, Ms. Brainard said that there is no plan to end the conservatorship given their long path to financial resilience. Ms. Brainard also highlighted pending FTC/DOJ efforts to curtail algorithmic pricing.

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-031224](#): The President’s [FY25 budget](#) picks up FHFA’s [recommendations](#), calling for statutory change to double the System’s affordable-housing commitment.
- [FEDERALRESERVE75](#): As [expected](#), Republicans took turns grilling Chair Powell on the Basel III endgame proposal and calling for its withdrawal, and were likely pleased with the results.
- [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](#).