



Thursday, April 4, 2024

Hsu, Gruenberg Skirt CRA Legal Battle

The CRA-related remarks today from [Acting Comptroller Hsu](#) and [Chair Gruenberg](#) were considerably more muted than those yesterday from [Vice Chair Barr](#), although Mr. Gruenberg expressly defends the new rule despite the pending legal challenge. Otherwise, the FDIC Chair's speech previewed the agency's new economic inclusion plan; we will analyze this later today if it includes provisions of substance. Mr. Hsu [repeated](#) his remarks insisting that AI innovations support bank obligations for fair lending and product access.

FRB-NY: Life, P&C Insurance Poses Climate Risk to Financial Markets

The Federal Reserve Bank of New York yesterday posted a [brief](#) focusing on financial-market risk due to climate change, concluding that there is some of potentially systemic magnitude. This finding is based on a nine-month-old staff [report](#) focusing specifically on the insurance sector. The report's findings specific to P&C and life insurance are "factors" on which the overall market conclusion is premised. The report identifies a positive association between life insurers with larger investments in industries facing greater climate transition risks and higher exposure to these risks, and a similar association between P&C insurers with more policies in high-risk states and exposure to physical climate risk. These exposures could lead to systemic undercapitalization of the insurance sector. While the top-ten P&C insurers were nonetheless found not to be systemically undercapitalized using the report's market-based metric, four of the ten life insurers failed this measure. The paper recommends further research in areas such as insurer policy pricing responses to climate shocks and the interplay between insurance efforts to mitigate climate risk and market stability.

FDIC Presses Banks to do More in LMI Communities

Previewed in [remarks](#) by Chair Gruenberg this morning, the FDIC today [released](#) its economic inclusion strategic plan calling on banks to invest in LMI and underbanked communities. The plan recommends that banks expand credit products to consumers with low or no credit scores, promote homeownership and small-business lending, and work with the FDIC to address challenges related to underbanked communities. The FDIC also plans to "educate" banks on CRA-qualified lending opportunities, increasing "awareness" to promote community benefits.

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-032924](#): Following FSOC's fulminations about [nonbank mortgage companies](#), FHFA in 2023 heightened its supervisory standards mandating GSE prudential governance of eligible seller servicers.
- [MERGER15](#): Following its 2022 request for input, the FDIC has released a formal proposal that would redefine the agency's bank-merger policy into one that will make it difficult for all but the smallest and simplest transactions within its jurisdiction to have the clear prospects for approval usually necessary in non-emergency transactions, subjecting other M&A applications to protracted review with a high likelihood of denial.

- **[REFORM231](#)**: Today's HFSC hearing on global governance featured [expected](#) Republican attacks on what they called the opaque nature of U.S. interactions with international organizations, with Chairman McHenry (R-NC) promoting a draft bill requiring regulators to report dealings with global standard-setting groups to Congress.
- **[GSIB24](#)**: Reflecting concerns expressed about banks that window-dress key regulatory data as the post-crisis framework took shape, the Basel Committee has now issued a request for views on how to prevent this when it comes to GSIB calculations related to their surcharge or possible designation.
- **[CREDITCARD37](#)**: Following a very controversial proposal, the CFPB has finalized credit-card late-fee restrictions in a final rule that does not differ significantly from the proposal on its key point: elimination of the manner in which inflation adjustments are now made by credit-card lenders when it comes to late fees.
- **[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.