



FedFin Daily Briefing

Wednesday, June 17, 2020

Bowing to Demand, PPP Forgiveness Eased, Demographic Data Possible

As promised ([see Client Report SBA38](#)), Treasury and the SBA today issued a simplified PPP [full forgiveness application](#) and an even shorter [“EZ” application](#) for certain borrowers. The EZ application applies to businesses that did not reduce the salaries or wages of their employees by more than 25 percent and to businesses with no employees. This new approach does not go as far as many Members and most of the banking industry have demanded to provide automatic forgiveness, but it is likely to reduce both the complexity of lender review and the ease of receiving forgiveness for smaller businesses. Responding to additional and even fiercer Congressional criticism about PPP equity, both applications include an optional section on demographic information. Eligible borrowers may also select an eight or 24 week covered period.

CFPB Expands Protections Against Negative Credit Reports

The CFPB late [yesterday](#) released FAQs addressing credit reporting requirements under the CARES Act, clarifying reporting protections for consumers and ensuring furnishers and consumer reporting agencies (CRAs) are providing required accommodations. [Reiterating the Bureau’s expectation](#) that furnishers comply with the CARES Act, the FAQs state that consumers with accounts not previously delinquent are to be considered and reported as current if they received accommodation and make any payments the accommodation requires. The FAQs define and provide examples of permissible accommodations, noting when these are specifically required (i.e., on Federally backed mortgage loans and Federally held student loans). Consumer reporting obligations on accommodated accounts are also detailed (e.g., not to advance delinquent status on already-delinquent accounts). Although the CFPB has provided some flexibility to furnishers and CRAs with regard to investigating disputes within FCRA-specified timeframes, this flexibility does not grant unlimited time to do so and furnishers and CRAs must also make good faith efforts to investigate disputes as quickly as possible.

Basel Continues COVID Review, Advances Crypto Standards

The Basel Committee today [praised its prior actions](#) encouraging buffer draws, but joined the IMF and World Bank [earlier this week](#) in also reiterating warnings about the need to continue to enforce current rules under their revised timelines. Basel plans to review actions national agencies have taken in its report to the FSB this July for G20 finance ministers and central-bank governors. Noting only that pandemic financial policy has entered a “new phase,” Basel provides no insight on what that might mean for future global action.

Basel also emphasized the importance of continuing LIBOR transition, also approving a work plan for future work on cryptoassets. As noted ([see FSM Report CRYPTO13](#)), Basel has laid out a

tough set of banking standards related to cryptoassets that run counter to the thrust of OCC policy under Acting Comptroller Brooks ([see FSM Report DIGITAL5](#)). The next step on this very hot question will be a consultation, although Basel does not make clear when this will be released. At its meeting, it also finalized long-pending changes to the credit-valuation adjustment for regulatory-capital requirements and technical changes to the treatment of non-performing securitizations that will be proposed for public comment next week.

FHFA, HUD Extend COVID Foreclosure and Eviction Moratoria

Following [Congressional demands](#), [FHFA](#) and [HUD](#) today extended their COVID-related foreclosure and eviction moratoria through August 31. Although a significant concession to Congressional Democrats' demands, we expect continued Democratic pressure for broad-based foreclosure and eviction moratoria along with greater borrower and renter protections. The extension applies only to GSE-backed, single-family mortgages and FHA-insured single-family mortgages, including FHA Home Equity Conversion Mortgages, but excluding FHA-insured mortgages secured by vacant or abandoned properties. FHFA says that its moratorium will be extended through "at least" August 31, but no such qualifier is included in HUD's extension. HUD is accepting comments on the extension for 30 days; no comment request is included in FHFA's action.

Calls Increase to Force Fossil-Fuel Finance

In a [letter](#) to FRB, OCC, and FDIC leadership, the Alaska Congressional Delegation – Sens. Sullivan (R-AK) and Murkowski (R-AK) and Rep. Young (R-AK) – requests that the banking regulators investigate whether five large banks are "discriminating" against Alaska's oil and gas industry. This assertion continues recent Republican action to prohibit banks from allocating credit to certain industries based on social and/or political views ([see FSM Report SOCIALIMPACT](#)). [As previously noted](#), Acting Comptroller Brooks has not yet followed his predecessor, Joseph Otting, in specific assertions that failing to lend to fossil fuel violates CRA, but he has also asserted a strong view that CRA requires lending across the community.

Specifically, the letter accuses the banks of "folding to activist environmental groups' pressure" to not invest in new oil and gas operations in the Arctic. The Republicans say the energy projects are legal activities and that Congress has specifically directed them with regard to the 1002 Area of the Arctic National Wildlife Refuge. Because some of the cited banks have previously funded energy exploration in the Arctic, the letter contends that they are only now retreating due to political pressure from "extreme activists'" calls for fossil fuel divestiture, adding that Alaska Native communities are being discriminated against due to removal of a source of investment in some of the most economically disadvantaged communities in the country. No formal response is requested, although the delegation plans to schedule a meeting with each agency.

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 requests@fedfin.com giving the requested item name, firm, and e-mail address. To learn more about GSE Activity Reports, click: http://www.fedfin.com/index.php?option=com_content&view=article&id=18&Itemid=18

- **[FEDERALRESERVE56](#)**: In this report, we assess FRB Chairman Powell's appearance before the Senate Banking Committee.
- **[CBDC2](#)**: In this report, we assess the sparsely-attended HFSC fintech task force hearing on Full Committee Chairwoman Waters' (D-CA) draft legislation that would create retail FedAccounts and provide monthly payments to consumers during the pandemic.
- **[CHARTER26](#)**: In conjunction with a wide-open request for views on ways to increase the innovativeness of national banks and federal savings associations (FSAs), the OCC has proposed a significant rewrite of the more traditional powers and activities these institutions may conduct.
- **[SBA38](#)**: During a largely congenial Senate Small Business Committee hearing with Treasury Secretary Mnuchin and SBA Administrator Carranza, it became clear that there is bipartisan interest in providing a more targeted PPP in the next COVID-package.
- **[GSE147](#)**: FHFA Director Calabria and HUD Secretary Carson reviewed post-COVID policy before a Senate Banking Committee highlighted by growing partisan divides.
- **[DIGITAL5](#)**: Reflecting his "passion" for innovation, Acting Comptroller Brooks led his agency after just a few days in office to release an advance notice of proposed rulemaking seeking views on general questions across the range of fintech, crypto, and digital ledger technology (DLT) products, services, and constructs.
- **[GSE-060820](#)**: In this analysis, we wrap up our series of strategy-focused assessments of FHFA's capital proposal with an analysis of whether it could as intended free the GSEs from conservatorship's yoke in the relatively short near-term.
- **[CHINA15](#)**: The Senate Banking hearing on Hong Kong makes it clear that [legislation](#) will soon advance secondary sanctions on banks doing business with entities that contribute to violations of Hong Kong's Basic Law.
- **[GSE-060320](#)**: So far, we've assessed an array of strategic and market-structure issues raised by FHFA's capital proposal. Before turning to the most critical question of all – could this capital framework really bring the GSEs out of conservatorship – we turn to

another that determines whether Congress will let FHFA do so: how this capital framework affects affordable housing.

- **[RESCUE75](#)**: In this report, we assess the financial policy implications of today's Senate Banking hearing at which discussion also ranged over unemployment insurance, business liability protections, and other hotly-contested issues debated ahead of the next COVID-relief package.
- **[GSE-060120](#)**: We turn now to the impact of the FHFA capital proposal on the strategic value of MI and other forms of credit enhancement that are not credit risk transfer, which we will subsequently consider.