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March 2021 Outlook

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<p>SENATE FLOOR</p>	<p>The Senate is gearing up for consideration of the \$1.9 trillion coronavirus relief bill, with a packed couple days ahead of up to 20 hours of debate and a vote on each amendment expected to begin as early as this afternoon or tomorrow morning. Following the debate, we expect swift action as Democratic members and the Biden Administration seek to have the measure on the President's desk before the March 14th expiration of current federal unemployment benefits.</p> <ul style="list-style-type: none"> • The bill passed out of the House last weekend on a 219-212 vote, with only two Democratic members joining all Republicans in opposition. There will be similar pushback in the Senate from Republicans, especially on the size and nature of the measure, but the bill is likely to be approved as the budget reconciliation process only requires a simple majority vote in the Senate. • As it stands, the bill includes additional \$1,400 economic impact payments, \$400 per week in expanded unemployment benefits through August 29th and an expansion of the child tax credit of up to \$3,600, among other items. It is unclear whether members' calls to lower the unemployment benefits from \$400 to \$300 will ultimately be successful, but these negotiations could potentially stall passage of the bill into later in the week (the goal is still to pass in advance of March 14th). • We do not expect Senate Democrats to push for inclusion of the federal minimum wage increase to \$15, as it was deemed ineligible by the Senate parliamentarian and Speaker Pelosi has indicated the House will approve the measure if it returns to the chamber without the minimum-wage increase. That said, it is likely Democratic members will make another attempt at minimum wage following the COVID relief bill, although a more modest raise than \$15 is potentially more likely to garner support from moderates. <p>Despite all eyes on the stimulus relief measure, Senate Floor time also will be consumed with confirming additional Biden nominees for key department and agency slots.</p> <ul style="list-style-type: none"> • First on the docket this month was the confirmation of Miguel Cardona as Secretary of Education, Gina Raimondo to be Secretary of Commerce and Cecelia Rouse as chair of the Council of Economic Advisors (CEA), all of which passed with bipartisan support. • Additional key nominees expected to be confirmed this month include Marcia Fudge as HUD Secretary, Marty Walsh as Labor Secretary, Isabella Guzman as SBA Administrator, Katherine Tai as U.S. Trade Representative, Merrick Garland as Attorney General and Wally Adeyemo as Deputy Treasury Secretary. • Notably, Biden's nominee for Office of Management and Budget Director, Neera Tanden has withdrawn her nomination following backlash from members on both sides of the aisle and opposition from Sen. Manchin (D-WV) which ultimately put Tanden's confirmation in jeopardy. A replacement for Tanden is unclear at this point, but could be announced before the end of the month. Biden's pick for Deputy OMB Director, Shalanda Young, testified in the Budget Committee this week, and has received some support from GOP Senators as a potential replacement.
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<p>SENATE BANKING COMMITTEE</p>	<p>The Senate Banking Committee (SBC) looks to have a busy spring schedule, which began yesterday with a hearing to consider the nominations of Gary Gensler to be SEC Chair and Rohit Chopra to be CFPB Director. Despite expected concerns raised by Senate GOP members, we expect swift committee confirmation for both nominees with SBC scheduled to vote on and report the nominees out next week. Timing on confirmation by the full Senate is unclear at this point, but we expect could be slated for the latter half of the month or early next month.</p> <ul style="list-style-type: none"> • SBC also will conduct a hearing tomorrow on inequalities in the financial system and the impact on the racial wealth gap, with academic witnesses. Democratic members, outside of Chair Brown (D-OH) and Sen. Warren (D-MA), will likely focus on redlining issues and discriminatory lending, rather than directing criticisms directly towards Wall Street. • Looking forward, we anticipate SBC to have hearings this month focused on the state of the housing market, infrastructure and one on the recent stock market events related to GameStop which will include two academic witnesses and former SEC Commissioner Michael Piwowar. We expect Piwowar will encourage shortening the length of the securities transactions cycle and encourage Congress to consider bipartisan legislation requiring the SEC to coordinate across agencies to adopt new rules. • Additionally, we expect a hearing in late March focused on climate risk in the financial markets, and for Democrats to encourage the Biden Administration financial regulators to use their authority around systemic risk, prudential oversight and disclosure to accelerate the trend away from financing carbon-fuel projects. We also expect SBC will conclude the month with the quarterly CARES Act testimony of Treasury Secretary Yellen and Federal Reserve Chair Powell. • Things should be quieter on the legislative front this month, as all eyes are on COVID relief legislation, although we expect SBC Democrats could participate in discussions around a broader racial equity legislative package being constructed by House Democratic members and modeled after President Biden's Build Back Better plan. <p>The Committee also named its Subcommittee leadership, noting that the work of the subcommittees will be important to informing the broader work of the full committee. We can expect subcommittees to be more engaged in the 117th Congress as Chairman Brown looks to focus broadly across the committee's jurisdiction.</p> <ul style="list-style-type: none"> • <u>Securities, Insurance and Investment</u>: Senator Bob Menendez (D-NJ), Chair and Senator Tim Scott (R-SC), Ranking Member • <u>National Security and International Trade and Finance</u>: Senator Mark Warner (D-VA) and Senator Bill Hagerty (R-TN), Ranking Member • <u>Economic Policy</u>: Senator Elizabeth Warren (D-MA), Chair and Senator John Kennedy (R-LA), Ranking Member • <u>Housing, Transportation and Community Development</u>: Senator Tina Smith (D-MN), Chair and Senator Mike Rounds (R-SD), Ranking Member • <u>Financial Institutions and Consumer Protection</u>: Senator Reverend Raphael Warnock (D-GA), Chair and Senator Thom Tillis (R-NC), Ranking Member
<p>HOUSE FLOOR</p>	<p>Following passage of the COVID relief bill last weekend, the House has shifted focus to two top priorities for the chamber: election and policing reform.</p> <ul style="list-style-type: none"> • H.R. 1, which includes reforms to campaign financial disclosure, voting and an expansion of ethics rules, is being considered by the House this week. The legislation, similar to that passed by the Democratic-led House in 2019, is viewed by Republican members as a purely messaging bill, and we do not expect it will receive any bipartisan support. • This week, the House will also take up the George Floyd Justice in Policing Act of 2021, a bill that reached a stalemate in the Senate last Congress. Like H.R. 1, we do not anticipate the bill to receive Republican support as it includes provisions opposed last Congress, such as an overhaul of qualified immunity for law enforcement.

	<ul style="list-style-type: none"> • Although these bills do not have bipartisan support, the early placement on the House Floor schedule is a great indication of the priorities set by Speaker Pelosi (D-CA) and Democratic leadership for the new Congress. <p>Along with needing to vote again on COVID relief after action in the Senate (the legislation is expected to change in the Senate, necessitating the House voting again in the next week), the House this month is expected to take up legislation related to women’s equality, gun safety, labor rights and immigration.</p>
<p>HOUSE FINANCIAL SERVICES COMMITTEE</p>	<p>The House Financial Services Committee has a robust schedule for the month with hearings that further underscore Chairwoman Waters’ (D-CA) focus on addressing inequalities in the financial industry. We understand that the March 10th hearing on racial equity will likely focus on all forms of willful discrimination in credit and lending but will have a significant focus on issues impacting housing. In addition, we believe the March 11th hearing on helping consumers during the pandemic will focus on several of the consumer protection provisions included in the COVID relief packages such as the forbearance and eviction moratoriums, credit reporting, and debt collection.</p> <p>The full slate of HFSC hearings for the month is as follows:</p> <ul style="list-style-type: none"> • March 10th – Full Committee virtual hearing entitled, “Justice for All: Achieving Racial Equity Through Fair Access to Housing and Financial Services.” • March 11th – Subcommittee on Consumer Protection and Financial Institutions hearing entitled, “Slipping Through the Cracks: Policy Options to Help America’s Consumer During the Pandemic.” • March 16th – Subcommittee on Housing, Community Development and Insurance hearing entitled, “Preserving a Lifeline: Examining Public Housing in a Pandemic.” • March 17th – Full Committee hearing entitled, “Game Stopped? Who Wins and Loses When Short Sellers, Social Media, and Retail Investors Collide, Part II.” • March 18th – Subcommittee on Diversity and Inclusion hearing entitled, “By the Numbers: How Diversity Data Can Measure Commitment to Diversity, Equity and Inclusion.” • March 19th – Subcommittee on National Security, International Development and Monetary Policy hearing entitled, “Ending Exploitation: How the Financial System Can Work to Dismantle the Business of Human Trafficking.” • March 23rd – Full Committee hybrid hearing entitled, “Oversight of the Treasury Department’s and Federal Reserve’s Pandemic Response.” <i>Note – Secretary Yellen and Fed Chair Powell expected to testify.</i>
<p>REGULATORY AGENDA</p>	<p>The rulemaking agenda at the financial regulatory agencies remains somewhat in flux as some agency heads await confirmation and departments continue to staff up. However, that has not stopped Acting heads at agencies such as the CFPB and SEC from moving forward on key items of focus, such as strengthening enforcement efforts and more aggressive oversight over industry actions. Additionally, we continue to expect climate change to be a focus of the agencies, which has begun with a push for standardized or even mandatory disclosures related to climate risk.</p> <ul style="list-style-type: none"> • For instance, we believe SEC Acting Chair Lee’s recent statement directing the Division of Corporate Finance to review climate-related risk disclosure signals the Commission’s priority to push towards greater climate disclosure as part of the greater ESG framework. We expect this will only amplify if Gensler is confirmed, and we will see an immediate focus on disclosure reform related to climate risks, political expenditures, and diversity. We expect the SEC’s Asset Management Advisory Committee will discuss Lee’s statements at its March meeting. • Additionally, last week, Acting CFPB Director Uejio announced plans to delay the July 1 mandatory compliance date of the General Qualified Mortgage (QM) rule, which we are hearing will likely be delayed for one year (it was supposed to become effective March 1). The GSE Patch will remain in place until the new mandatory compliance date as a result.

	<p>In his confirmation hearing yesterday, Rohit Chopra did not clarify how he intends to revise the QM rules, but our view is that the QM definition will continue to be in flux for some time.</p> <ul style="list-style-type: none"> • We also expect Treasury Secretary Yellen to continue efforts towards appointing a climate “czar” within the Department whose role will be to monitor climate-related risks posed to the financial system. Yellen also recently hired a senior staffer within the Office of Economic Policy focused specifically on climate, among other personnel (included below). • Notably, despite an influx of recent Treasury staff appointments, the Biden administration has yet to officially nominate candidates for three prominent undersecretary roles, overseeing International Affairs, Terrorism & Financial Crimes, and Domestic Finance, although Nellie Liang is expected for the domestic policy role. • Biden has also yet to announce official nominees to head the CFTC and the OCC, although we expect an announcement for Michael Barr as Comptroller of the Currency soon. <p><i>Department of Treasury – Notable Personnel Appointments</i></p> <ul style="list-style-type: none"> • William Fields, Senior Advisor to the Secretary • Catherine Wolfram, Deputy Assistant Secretary for Climate & Energy Economics, Office of Economic Policy • Neil Mehrotra, Deputy Assistant Secretary for Macroeconomics, Office of Economic Policy • Jose Murillo, Deputy Assistant Secretary for Intl’ Tax Affairs, Office of Tax Policy • Bill Doerrer, White House Liaison • Hira Qureshi, Deputy White House Liaison
<p>BIDEN ADMINISTRATION</p>	<p>While passage and signing into law of the COVID relief legislation will be a huge victory for the new Administration, it unfortunately will not signify an ability of the President to immediately move on to other agenda items. COVID-19 will continue to dominate the focus of the Biden Administration for at least the immediate future, but we likely will at least see efforts in other major policy areas, such as work on a potential infrastructure package and whether Democrats in Congress need to again go through a budget resolution/reconciliation process to pass such a measure, as well as immigration reform efforts.</p> <ul style="list-style-type: none"> • Infrastructure: To date, the Administration has not released a specific plan or stated how they plan to address infrastructure, but we could start to see some indications soon, especially during the President’s expected address to a Joint Session of Congress later this month or next (after the American Rescue Plan is passed), or following Biden’s meeting with Transportation Secretary and some House Democrats tomorrow. While unclear what issues will be addressed in the broader infrastructure discussions, we do expect a focus on climate and a push from the Administration to incorporate climate change and green energy initiatives. It will also be interesting to see whether plans recently announced by Democrats to bring back earmarks could lead to more bipartisan cooperation on an infrastructure package. • Immigration: We know that addressing immigration issues is a priority of the Biden administration, but we expect any efforts towards comprehensive reform will be very challenging this Congress. That said, Biden has signed three immigration-related executive orders over the past month and recently released a proposed immigration reform package, which seeks to reverse many Trump administration actions on immigration. The proposal has received pushback from lawmakers, and Democratic members and President Biden have already suggested taking up pieces of the legislation on an individual basis is a more likely path towards advancement. We do not expect to see any major legislative advancements this month.