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October Outlook

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OVERVIEW	<p>Washington is gearing up for another jam-packed few weeks, following a turbulent month of September that concluded without a deal on the infrastructure and reconciliation measures, despite numerous attempts from Congressional Democrats. All the while, Congress had to simultaneously address several must-do's including government funding and continue carrying on with Committee work and hearings. Majority Leader Schumer (D-NY) and Speaker Pelosi (D-CA) will proceed full steam ahead in October to reach a deal with members of their party to pass the two infrastructure measures and further advance the Biden agenda. That said, and while Democrats have indicated a deal is near, the dynamics on Capitol Hill will continue to change day-by-day and even hour-by-hour, and the ultimate course of action remains unclear. Below we have provided our assessment of upcoming action and an outlook into activity in the Senate Banking and House Financial Services Committees.</p>
DEBT CEILING/ GOVERNMENT FUNDING	<p>Despite postponing a vote on infrastructure, Congress successfully avoided a government shutdown on September 30th (end of the 2021 fiscal year) by passing a continuing resolution to extend government funding through December 3rd. Senators voted 65-35 in favor of the stopgap funding measure which includes disaster relief aid and funding for Afghan refugees but does not include a suspension of the debt limit.</p> <ul style="list-style-type: none"> • The December date provides additional time for Senate appropriators to move ahead with marking up their FY2022 spending bills, despite not yet reaching a deal on the top-line spending number. As a reminder, the House has advanced all twelve of the annual funding bills out of the House Appropriations Committee and passed nine out of the full House. Senate appropriators have only marked up three of the twelve bills in Committee and have not held any floor votes at this point. • The House and Senate also passed over the weekend, a short-term extension for certain highway transportation programs for 30 days that were set to expire September 30th. Most of these programs will require reauthorization which has been addressed in the bipartisan infrastructure framework (BIF), though still awaits a vote in the House (more below). <p>The White House and Congressional Democrats continue to voice confidence that Congress will avert a default and address the looming debt ceiling, which Treasury Secretary Yellen warned will be breached by October 18th, although, it remains unclear how. Additionally, Republicans' refusal to engage, and Democrats' refusal to proceed through budget reconciliation leaves limited backup options.</p> <ul style="list-style-type: none"> • Democratic Senators have said repeatedly that pursuing this through reconciliation, as Republicans have called for, is a non-starter for the caucus. Schumer and others have said doing so could add time and complexity to the process as they would need to amend the already passed budget resolution. • Senate Minority Leader McConnell (R-KY) and Republicans have not shifted in their decision not to assist Democrats in addressing the debt ceiling, given the tremendous amount of spending already being deliberated as part of the Democratic reconciliation package. If Senate Republicans continue to block efforts to suspend the debt ceiling, as is expected this week, and Democrats do not pursue addressing this issue through

	<p>reconciliation, there likely will be growing calls for Democrats to eliminate the filibuster, at least to pass a debt limit increase.</p> <ul style="list-style-type: none"> • In other news, the Fiscal Year 2022 National Defense Authorization Act (NDAA) is still scheduled to be on the Senate floor the week of October 18th but will remain fluid and could change dependent on the debt ceiling and reconciliation process. Of note, the NDAA is expected to incorporate a number of cybersecurity-related proposals, including mandatory incident reporting legislation for critical infrastructure owners and operators.
INFRASTRUCTURE/ RECONCILIATION	<p>President Biden spent the end of September driving support within his party for both infrastructure bills – the bipartisan infrastructure framework (BIF) and the Democratic budget reconciliation proposal. He had several conversations with Democratic holdouts Senators Sinema (D-AZ) and Manchin (D-WV) and held strategy meetings with Speaker Pelosi and Leader Schumer last Monday and Wednesday. Biden also ended the week by coming to the Capitol to join the House Democratic Caucus meeting late Friday afternoon. Despite these last-minute efforts, the month concluded without a deal to pass the measures. Over the weekend, Leader Schumer and Speaker Pelosi provided a new target date of October 31st to pass the measures, given that the 30-day funding for federal highway programs will expire November 1.</p> <ul style="list-style-type: none"> • Sen. Manchin threw a wrench in Democrats’ progress in advancing President Biden’s economic agenda last week by doubling down on his call for a \$1.5T cap on the reconciliation spending bill, which some within his party labeled as far too low to address the entire span of Democratic priorities included in the measure, such as education and support programs for low- and middle-class families as well as new measures to combat climate change. • On Friday, Congressional Progressive Caucus Chair Jayapal (D-WA) conceded for the first time that the final bill would likely be reduced from the \$3.5T they have been touting. However, it remains unclear how low progressives will be willing to go. The President told his caucus Friday that he is willing to lower his baseline to \$1.9-2.3 trillion to find some middle ground, yet, the presumption is that the new number remains insufficient for Sen. Sanders (I-VT), Rep. Jayapal, and others in the progressive camp. • President Biden and Democratic congressional leadership’s commitment to passing both infrastructure bills in tandem will be an extremely heavy lift given the stalemate between Senate moderate holdouts and House progressives. Another factor sure to impact negotiations as we move into October is the Congressional calendar as we quickly approach the holiday season. The House has 22, compared to the Senate’s 35 days, left in session for the rest of the year. That window is even tighter for the latter due to its need to confirm the President’s long list of awaiting Senate-confirmed appointees.
SENATE BANKING COMMITTEE	<p>While the full schedule for SBC remains in flux, the Committee will kick off the month with a vote on a slate of nominations, including two nominees for Treasury’s Terrorist Financing and Financial Crimes Departments (Brian Nelson and Elizabeth Rosenberg); three nominees for positions at HUD, including former Acting CFPB Chair David Uejio, along with Julia Gordon and Solomon Greene; two nominees for Commerce positions (Thea Kendler and Alan Estevez); and Graham Steele and Alexia Latortue to be Assistant Secretaries at Treasury.</p> <p>Following the nominations hearing, SBC will immediately convene for a hearing focused on the potential national security and economic implications of the Taliban takeover of Afghanistan. This follows testimony last week from Defense Secretary Lloyd Austin, Joint Chiefs of Staff Chair Mark Milley and US Central Commander Kenneth McKenzie on the events related to the Afghanistan withdrawal. The hearing will be followed later this week by a nominations hearing to consider four additional Biden nominations: Matthew Axelrod to be Assistant Secretary of Commerce, Alanna McCargo to lead Ginnie Mae, and James Jemison and Mark Colon to be Assistant Secretaries at HUD.</p>

HOUSE FINANCIAL SERVICES COMMITTEE	<p>HFSC has another robust schedule for the month, beginning this week with an appearance from SEC Chair Gensler on Tuesday, and followed by various additional hearings later in the month – all with an emphasis on consumer protection.</p> <ul style="list-style-type: none"> • Similar to the recent Senate Banking Committee hearing, we expect Gensler to be grilled on his recent statements regarding the need for additional regulation over the cryptocurrency market and for an update into the SEC’s efforts to coordinate with other regulators towards a regulatory approach. Gensler is also expected to touch on SEC efforts regarding SPACs, China-based issuers, and ESG, as well as an update into expected staff recommendations related to market structure reform (payment for order flow, gamification, settlement cycles, etc.). Members on both sides will press Gensler on the SEC’s efforts related to climate risk, human capital and cybersecurity disclosures and timelines for proposals. • The remainder of the month will see six additional hearings, including one on the risks posed by Chinese stocks listed on U.S. exchanges that was rescheduled from last month, and a full Committee markup. Also on the docket is a hearing on disadvantages of a cashless economy on underserved individuals, which could include discussion on a Central Bank Digital Currency (CBDC), fintechs, cryptocurrency and likely legislative proposals to prohibit retailers from not accepting cash. HFSC will then have a hearing on artificial intelligence, which we expect will maintain a significant focus on algorithmic bias and the potential for disparate impact in underwriting, and a hearing to examine the state of the international financial system. • HFSC will conclude October with possibly the most highly-anticipated hearing of the month – an CFPB oversight hearing with the new CFPB Director, Rohit Chopra (who was confirmed on a party-line basis late last week). We expect Chopra will underscore his emphasis on oversight and enforcement and priority on fair lending laws and will be pressed by members to deliver his priority agenda for the Bureau under his leadership. He will also be asked on his plans for the Bureau related to credit reporting and FCRA enforcement, mortgage lending, student loan issues and algorithmic bias in underwriting, among other items.
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