



*In classic Greek mythology, a golden apple of discord inscribed "For the fairest" was awarded to Aphrodite, beginning a chain of events that led to the Trojan War. GrayRobinson's newsletter reports on the most recent issues, individuals, and discourse deemed fairest in Washington.*

February 14, 2020



We congratulate [Senator Richard Shelby](#) (R-AL), who became the longest-serving member of the Senate Banking Committee in history this week with a tenure of approximately 33 years, one month, and one week. Senate Banking Committee Chairman Mike Crapo (R-AL) noted the milestone at a hearing on Wednesday. Shelby joined the Banking Committee in January 1987, and chaired the Committee from January 2015 to January 2017. Shelby's time on the Banking Committee now exceeds that of Senator John Sparkman (D-AL), who served on the Committee from 1947 to 1979.

### **Fed will review comments on OCC/FDIC CRA proposal before moving ahead**

In testimony before the [House Financial Services Committee](#) and the [Senate Committee on Banking, Housing, and Urban Affairs](#) this week, Federal Reserve Board Chairman Jerome H. Powell said the Federal Reserve would hold off on proposing its own reforms to Community Reinvestment Act regulations until they see the comments on the proposal released by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. Powell agreed it would be best for all three agencies to agree on joint reforms, but noted that even the OCC/FDIC proposal would create two compliance regimes, as approximately 70% of supervised institutions would have the option to continue under the current evaluation system. Powell also said the Fed would be publishing its CCAR capital buffer rule "very soon," in time to let institutions use it for the current stress testing cycle.

### **FinCEN to propose cryptocurrency regulations "very soon," says Mnuchin**

[Appearing before the Senate Finance Committee](#) to discuss the President's budget proposal on Wednesday, Secretary of the Treasury Steven Mnuchin fielded more than one question about how Treasury plans to address the use of cryptocurrencies to fund terrorism and other international criminal activities. The budget proposal includes funding increases for Treasury's Office of Terrorism and Financial Intelligence and for the Financial Crimes Enforcement Network (FinCEN), and would move the Secret Service from the Department

of Homeland Security back into the Treasury. Mnuchin said an interagency group had been working on issues related to cryptocurrency for some time, and that FincEN would be rolling out “significant new requirements” for transparency in cryptocurrency transactions. Treasury sees so-called “stable coins” as an opportunity to reduce payment processing costs, especially for small-dollar payments across international borders, but they want to make sure that “pure cryptocurrencies” such as Bitcoin cannot be used as secret bank accounts.

### **White House’s FY 2021 budget proposal includes more for SEC, IRS, less for housing**

Although Senate Budget Committee Chairman Mike Enzi (R-WY) [said on Monday](#) that “Congress doesn’t pay attention to the President’s budget exercise,” the Senate Finance Committee had plenty of questions for Secretary Mnuchin about the policy goals behind the [President’s proposal](#). Among other provisions, the budget proposal would raise G-fees from Fannie Mae and Freddie Mac from 10 basis points to 20 basis points; transfer the Secret Service back to the Treasury Department; zero out budgets for Community Development Block Grants, Choice Neighborhoods, and the Public Housing Capital Fund, and eliminate grants for Community Development Financial Institutions; restructure the Consumer Financial Protection Bureau and subject it to appropriations; raise the SEC’s budget enough to let them add 30 new full-time employees; and consolidate the Public Company Accounting Oversight Board into the SEC.

### **FDIC issues new guidance for deposit insurance applications from nonbanks**

This week the Federal Deposit Insurance Corporation published procedures for deposit insurance applications from businesses that are not traditional community banks. [Financial Institution Letter 8-2020](#) includes a [supplement to its procedures manual](#) that defines “non-bank” as including industrial banks, industrial loan companies, trust and credit card banks, and municipal deposit banks, among others; these companies may be owned by parent companies other than bank holding companies. The supplement also defines “non-community bank” as a depository institution that focuses on products and services other than local lending and deposit-taking. Field investigations for these applications “should be specifically tailored to the unique aspects of the proposal,” and if the applicant is already operating as a non-insured entity, the FDIC will evaluate its activities and performance record as part of the application. The new procedures took effect in December 2019.

### **And while we’re talking about nonbanks**

If anyone needs a quick explanation of industrial loan corporations (ILCs), Utah Chief Examiner Darryle Rude provided one for this week’s edition of the Conference of State Bank Supervisors’ Simply Stated podcast. You can listen to that [here](#).

### **Fed nominee faces challenges at Senate confirmation hearing**

Yesterday’s [Senate Banking Committee hearing on the nominations of Judy Shelton and Dr. Christopher Waller](#) to the Federal Reserve Board was long and occasionally contentious, as Senators on both sides of the aisle grilled Dr. Shelton about her published opinions on a wide range of issues. Senators asked about Shelton’s perceived support for the gold standard, an opinion piece that suggested that the banking system would be better off without deposit insurance, her apparent changes in position on the effects of debt and deficits are bad, and her apparent call for the Fed to engage in retaliatory currency manipulation. Both Shelton and Waller emphasized their commitment to the Federal Reserve’s independence, and Senate Banking Committee Chairman Mike Crapo (R-ID)

said he thought Shelton had been “very solid” in explaining and defending her writings and positions.

### **Brainerd suggests need for new oversight framework for payments**

In a [speech at the Symposium on the Future of Payments](#) last week, Federal Reserve Board Governor Lael Brainard said that private sector advances in payment technology platforms and digital currencies “may drive competition, enhance product offerings, and lower transaction costs” — but statutory and regulatory protections may not extend to all of their activities. “Unlike many foreign central banks, the Federal Reserve does not have plenary authority over payment systems,” Brainerd said. “No federal agency does.” Payment systems deemed systemically important come under the Fed’s broad authority, but as an increasing number of providers offer payment services that bypass banks, it might be time to review the oversight framework for retail payment systems. Most jurisdictions, she noted, require that payment systems register or be licensed before beginning operations. Money transmitters must register at the federal level for Bank Secrecy Act compliance, but are not subject to federal oversight.

## Next Week(s) in Washington

The House and Senate stand in recess next week, and GrayRobinson’s offices will be closed on Monday for the Presidents Day holiday. Next week’s Golden Apple will be a special issue on the mechanics of the 2020 elections. Here’s what we know about for the week of February 23rd:

**February 25 at 10:00 a.m.** Senate Committee on Banking, Housing, and Urban Affairs holds a hearing on “[Surface Transportation Reauthorization: Public Transportation Stakeholders’ Perspectives.](#)”

**February 26 at 10:00 a.m.** House Financial Services Committee holds its second hearing on “[Rent-a-Bank Schemes and New Debt Traps: Assessing Efforts to Evade State Consumer Protections and Interest Rate Caps.](#)”

## The Ellis Insight

Jim Ellis reports on political news

### **President**

**New Hampshire:** As expected, Sen. Bernie Sanders (I-VT) placed first in this week’s New Hampshire primary, but he barely topped former South Bend Mayor Pete Buttigieg and Minnesota Sen. Amy Klobuchar. Sanders scored a 26-24-20% win, with Sen. Elizabeth Warren (D-MA) and former Vice President Joe Biden both finishing with under 10% support and being shut out of delegate apportionment. Ironically, the two Midwestern candidates, Buttigieg and Klobuchar, performed better than New Englanders Sanders and Warren.

The results are quite a change from polling throughout the year and reflects the candidates’ current momentum. As in Iowa, Sen. Sanders placed first in the popular vote but did not capture a majority of delegates. He and Buttigieg tied with 9 bound votes

apiece coming from New Hampshire with Klobuchar securing 6 votes. In the aggregate, Buttigieg has 23 delegates, Sanders 21, Warren 8, Klobuchar 7, and Biden 6. To win on the first ballot, 1,991 delegate votes are required.

**National Polls:** The Morning Consult organization ran a flash poll on February 12th that included 2,639 online responses from likely Democratic primary voters from around the nation. Their results find Sen. Bernie Sanders (I-VT) in first place with 29%, and former Vice President Joe Biden falling into second with 19% support. Moving up quickly is former New York City Mayor Michael Bloomberg who has 18% according to the MC data. South Bend Mayor Pete Buttigieg pulls 11%, Sen. Elizabeth Warren (D-MA) drops to 10%, and Minnesota Sen. Amy Klobuchar registers only 5% national support.

The HarrisX survey (2/7-10; 913 US likely Democratic voters) still finds Mr. Biden in first with 23% over Sen. Sanders' 20%. In this poll, ex-Mayor Bloomberg soars to third with 16 percent. Both former Mayor Buttigieg and Sen. Warren drop to 9% preference.

Quinnipiac University returned to the field to conduct their monthly national poll (2/5-9; 665 US registered or self-identified Democratic voters) and found former Vice President Biden, for the first time since their polling series began, now trailing. The results project Sen. Sanders holding first position with 25% and Mr. Biden dropping all the way to 17%. Former Mayor Bloomberg jumps up to 15%, with Sen. Warren now falling to fourth position (14%), and Mr. Buttigieg in fifth with 10% support. As late as December, Quinnipiac produced numbers giving Mr. Biden 30 percent, so he has lost almost half of his support total according to their forecast model.

**Arkansas Poll:** In a surprise, Hendrix College, a frequent Arkansas political pollster (2/6-7; 496 AR likely Democratic primary voters), finds former New York City Mayor Michael Bloomberg taking a slight one-point lead over former Vice President Joe Biden in the Arkansas Democratic primary. This is the first reported poll finding both Bloomberg leading in a state, and Mr. Biden dropping from his former first place position in a southern domain.

The Hendrix results project Mr. Bloomberg to hold a 20-19-16-15-9% edge over Mr. Biden, Sen. Bernie Sanders (I-VT), former South Bend Mayor Pete Buttigieg, and Sen. Elizabeth Warren (D-MA), respectively. Obviously, these numbers suggest that the Arkansas primary, with 31 first ballot delegates at stake, is another state where multiple candidates will earn bound delegate votes on Super Tuesday.

**California Poll:** The California Capitol Weekly poll is out (2/6-9; 843 CA likely Democratic primary voters) in anticipation of the March 3rd Super Tuesday primary. As you may recall or surmise, the Golden State has the largest delegate contingent with 415 first ballot votes.

The new poll finds Sen. Bernie Sanders (I-VT) taking the lead with 29% preference and Sen. Elizabeth Warren (D-MA) placing second (16%). Ex-South Bend Mayor Pete Buttigieg is closely behind in third position (14%). Former New York City Mayor Michael Bloomberg jumps up to 13%, and both former Vice President Joe Biden and Sen. Amy Klobuchar (D-

MN) drops out of delegate apportionment with 11 and 5%, respectively. To be a major player nationally, a candidate must score a significant share from the California delegation. This poll suggests that four of the candidates could reach and exceed the 15% threshold necessary for delegate apportionment.

**Iowa:** The Iowa Caucus counting and reporting debacle has claimed its first casualty. Iowa Democratic Party chairman Troy Price announced via letter that he is resigning his position, saying that he “bears full responsibility” for the glitches and mistakes that caused the reporting errors and massive delays. After the Caucus, Democratic National Committee chairman Tom Perez voiced his support for moving the first voting domain out of Iowa in the next election.

## Senate

**Alabama:** Mason-Dixon Polling & Strategies released a new Alabama poll (2/4-6; 625 AL registered voters; 400 likely Republican primary voters) and it finds ex-US Attorney General Jeff Sessions, who is attempting a comeback for his former US Senate seat, in a bit of trouble. The new survey projects him running ahead of retired Auburn University head football coach Tommy Tuberville, 31-29% in the GOP primary, with Rep. Bradley Byrne (R-Mobile) trailing in third position with 17%.

The results suggest that Sessions will be forced into a run-off, most likely with Mr. Tuberville. Though the run-off ballot test favors Sessions 49-42%, the fact that the former AG and Senator's name ID is 100% and he scores only 31% on the original ballot test among Republican primary voters portends clear weakness. This March 3rd primary will be one to watch.

**Idaho:** For the first time since his original election in 2008, Sen. Jim Risch (R) looks to have a general election opponent who will at least run a significant campaign. Former state Rep. Paulette Jordan (D) attracted some early national political attention in 2018 with her opposition to then-Lt. Governor Brad Little (R) in the open gubernatorial contest. Mr. Little, however, easily won the race with a convincing 60-38% victory margin. This week, Ms. Jordan returns to challenge Sen. Risch.

**North Carolina:** An independent expenditure operation is underway to assist state Sen. Erica Smith (D-Gaston) in her Democratic primary against former state Sen. Cal Cunningham, but the US Senate candidate who is trailing in the latest polls doesn't want the help. The Faith and Power PAC is currently running television ads and pledging to spend \$2.4 million to educate the Democratic voters that Sen. Smith is the most progressive candidate, but researchers are uncovering apparent ties to conservative organizations, of which Sen. Smith wants no part. The theory is they are helping Smith because the PAC leadership believes she would be the weaker general election opponent for Sen. Thom Tillis (R).

**Tennessee:** The Tennessee open Senate campaign has not drawn much national attention, but Mason-Dixon Polling & Strategies just released a new statewide survey (1/29-30; 625 TN registered voters) testing the possible successors to retiring Sen. Lamar Alexander (R). M-D finds former US Ambassador to Japan Bill Hagerty, who is favored to win the Republican nomination, topping Iraq War veteran James Mackler (D), 55-33%.

Dr. Manny Sethi (R), a Nashville surgeon challenging Mr. Hagerty to become the party standard bearer, also fares well in the general election pairing, but not to the same degree. If the election were today, Dr. Sethi would outpace Mr. Mackler, who is becoming the consensus Democratic candidate, 46-35%. At this point, the GOP looks to be a sound bet to hold this open seat in a state that continues to evolve into a safer domain for Republican candidates.

## House

**CA-53:** Survey USA for the San Diego Union Tribune newspaper ran a poll of the open 53rd Congressional District (2/6-8; 513 CA-53 likely jungle primary voters), fully contained within San Diego County, and finds former State Department official Sara Jacobs (D) opening a wide lead before the March 3rd jungle primary. San Diego City Council President Georgette Gomez (D), originally thought to be the favorite to replace retiring Rep. Susan Davis (D-San Diego), badly trails with just 5% preference.

Ms. Jacobs holds a 23-10% lead over Republican Chris Stoddard and they look to be the two advancing into the general election from field of 14 candidates who will appear on the March 3rd ballot. Under California law, like those in Louisiana and Washington, all candidates are placed on the same primary ballot with the top two, regardless of percentage and party affiliation, advancing to the general election. The 53rd is a safely Democratic seat.

**MD-7:** With former US Rep. Kweisi Mfume scoring a decisive win in the Democratic special election primary last week, three of his opponents have removed themselves from further competition. State Delegates Talmadge Branch (D-Baltimore City) and Terri Hill (D-Baltimore/ Howard Counties), along with college professor Michael Higginbotham all announced they will remove their names from the regular primary election to be decided April 23rd. Also, on that day, Mr. Mfume will easily win the special general election to fill the balance of the late Rep. Elijah Cummings' (D-Baltimore) final term and would then take office in the succeeding days.

**NY-2:** Though we still see a multiple candidate race for the Republican nomination to succeed retiring New York Rep. Peter King (R-Seaford), a clear leadership consensus is building around state Assemblyman Andrew Garbarino (R-Bayport). Last week we reported that both the Nassau and Suffolk County Republican Party committee spokespeople announced their respective memberships will endorse Mr. Garbarino, which was quickly followed by a similar statement from New York Republican Party chairman Nicholas Langworthy. Now, Rep. King has followed suit. Earlier this week, the Congressman declared that he, too, endorses Assemblyman Garbarino.

**NY-14:** Much has been made about freshman New York Rep. Alexandria Ocasio-Cortez's (D-Bronx) rise to national political prominence and eight Republicans have announced their candidacies against her in a district where a GOP candidate has little chance. This week, however, former CNBC reporter and author Michelle Caruso-Cabrera, who promotes free enterprise over socialism, announced that she will challenge Ocasio-Cortez for re-nomination in the Democratic primary. Though this is the only type of race that could potentially cause the freshman incumbent political trouble, it is still likely that

she will easily win the primary election. The June 23rd contest, however, may become more interesting and voters will have a clear choice in which path to follow.

**WI-7:** Another special primary election is on the upcoming political calendar, this one in northwest Wisconsin on February 18th. The process will eventually designate a successor to resigned Rep. Sean Duffy (R-Wausau). The early action will be in the Republican primary as state Sen. Tom Tiffany (R-Minocqua) and disabled American Army veteran and former congressional aide Jason Church square off for the party nomination. According to reports just released for the pre-primary period ending January 29th, Mr. Church has raised \$653,000 compared to Sen. Tiffany's \$463,000. The state legislator, however, has a little bit more cash on hand, approximately \$208,000 to \$189,000. For the entire special election cycle to date, Sen. Tiffany has pulled in over \$719,000 as compared to Mr. Church's \$658,574.

Both men have outside help. The Club for Growth and US Chamber of Commerce will be spending independent expenditure money for Sen. Tiffany, while the With Honor Fund, a veterans' Organization, is backing Mr. Church. Wausau School Board member Tricia Zunker is expected to easily win the Democratic nomination but will be a major underdog against the eventual Republican nominee. The special general election is May 12th.

## Governor

**Washington:** Survey USA, polling for KING-TV in Seattle, ran a poll of the upcoming Washington gubernatorial race (1/26-28; 1,103 WA registered voters) and finds two-term Gov. Jay Inslee (D), who was an original presidential candidate, clearly leading the race but only with a rather tepid 39% support base. The next closest opponent barely tops double digits, as conservative anti-tax activist Tim Eyman, listed as an Independent candidate, had 11%. None of the potential Republican candidates broke even 5% support.

Since this poll was taken, Mr. Eyman announced that he will compete as a Republican. Though Gov. Inslee is showing weakness, the competition level suggests he will easily be re-elected for a third term.

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