

Congressional and Administration Priorities Affecting Mortgage Counsel

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Outline

- Washington overview
- Legislative developments
- Regulatory developments
- Other issues

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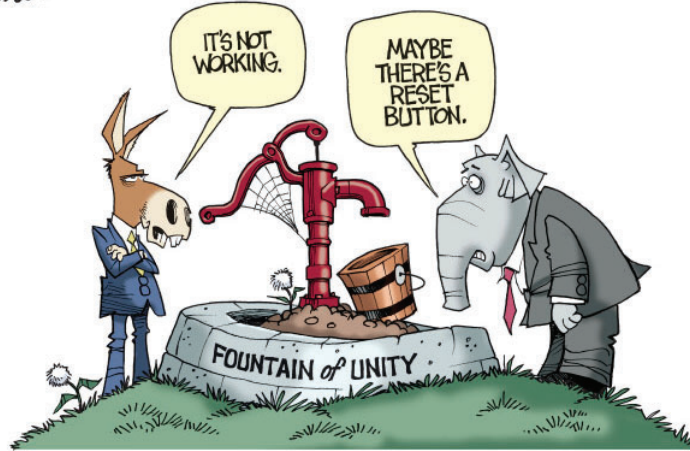
- “United” Democratic control
- Two-party system within a two-party system
 - Democrats: progressives and moderates
 - Republicans: Freedom Caucus and establishment



- Progressive priorities
 - Equity
 - Climate change
 - Social programs
 - Taxes
 - Healthcare
 - Housing
 - Court appointments



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MITIGATING CLIMATE-RELATED FINANCIAL RISKS

These are the ways we're helping the private sector seize new opportunities. At the same time, the financial system must also manage the climate-related risks associated with its past and prospective activities. The financial system will be less equipped to speed along our transition to net-zero if it's still susceptible to climate change-related shocks along the way.

One of the financial sector's most essential functions is the distribution of risk—ensuring that it falls across investors and institutions well placed to manage it. Climate change introduces new and increasing types of risk. The risks from more frequent and severe natural disasters—so-called physical risks—have, and will continue to, become more prominent. Then there are the risks that may accompany the technological, market, and policy changes needed to address climate change—the so-called transition risks.

These risks are hard to measure for at least three main reasons. First, there are data gaps limiting the ability of investors, financial institutions, and regulators to make good assessments. The reliable and effective financial disclosures that I just spoke about are a fundamental first step toward better data. Additional steps may be needed for effective regulation and supervision. For example, financial authorities have reported a lack of sufficiently granular data on the location of assets underlying financial sector exposures to climate risks.

Second, the long-term nature and unpredictability of climate change may call for new approaches to assessing risks. For example, risk management practices at financial institutions and among regulators typically focus on relatively short-horizon risks relative to the horizon relevant for climate change. The Network for the Greening of the Financial System and the Bank of England have begun to tackle this challenge by developing and deploying, respectively, scenarios that span decades for analysis of climate risks.

Third, climate change science is relatively new to financial institutions and regulators. And so, at this point, it's hard to translate changes in climate—and climate policy—into economic and financial projections. It is even more difficult to pull together sector-by-sector assessments to form a systemwide perspective.

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