# Stress Scenario Package

Trump affordability policy signals: credit cards, payment networks, housing/mortgages, and Fed independence

As of 14 Jan 2026

**Purpose**: Provide a ready-to-run stress scenario set and action plan for financial institutions and investors exposed to U.S. consumer credit, payments, and housing finance.

**Important**: This is a risk-management package—not a prediction. Statements and policies can change quickly; validate legal feasibility and implementation details with counsel and primary sources.

## Executive Summary

• **Affordability levers are clustering** around consumer credit pricing (credit-card APR caps), merchant payment costs (swipe-fee / routing competition), and mortgage affordability (MBS purchases, investor limits, down-payment funding ideas).

• **Key stress mechanism: margin compression + credit rationing**. Price caps or routing mandates can reduce issuer/network revenue and trigger tighter credit boxes, fee substitution, and demand shifts toward non-bank lenders.

• **Housing interventions may lower mortgage rates only modestly but can raise volatility**. A $200B MBS program can move spreads at the margin, but the bigger risk is “policy whiplash” (rates down briefly, then back up).

• **Fed-independence risk is now a market variable**. The DOJ probe/subpoenas related to Fed Chair Powell have created a credibility/term-premium channel that can spill into rates, FX, and risk assets.

• **Action now**: (1) create a cross-functional policy-shock war room, (2) pre-position card and mortgage product/pricing playbooks, (3) pre-hedge convexity and pipeline exposures, (4) enhance monitoring for legislative/agency triggers, (5) run rapid capital/liquidity sensitivity under the scenario set below.

### Scenario Set (at a glance)

| Scenario | Trigger/driver | Primary risk types | Time horizon |
|---|---|---|---|
| 1. Card Pricing + Payments Shock | Temporary 10% credit-card APR cap + routing/fee competition pressure | Profitability, credit access, credit losses, conduct/reputation | 0–12 months |
| 2. Housing Intervention + Mortgage Volatility | $200B MBS purchases + housing affordability executive actions + investor/builder constraints | IRRBB, prepayment/convexity, pipeline/MSR, housing credit | 0–18 months |
| 3. Fed Independence / Policy Credibility Shock | Escalation of Fed probe/political pressure → higher term premium & risk-off | Rates, FX, spreads, liquidity, macro credit | 0–24 months |

# 1. Latest policy signals (fact base)

Summary of recent, salient statements and reported policy workstreams relevant to consumer credit and housing finance.

| Date | Signal (summary) | Feasibility / status notes |
| --- | --- | --- |
| Jan 7, 2026 | Move to ban large institutional investors from buying single-family homes; asked Congress to codify. | Implementation steps not specified; impacts likely concentrated in metros with higher investor share. |
| Jan 8, 2026 | $200B purchase of mortgage-backed securities (MBS) via Fannie/Freddie to lower mortgage rates. | Market impact estimated modest (≈10–15 bp on mortgage rates); execution details unclear. |
| Jan 9, 2026 | Draft housing affordability EO reportedly includes: 401(k)/529 down-payment access, investor-ban elements, portable/assumable mortgages, and supply-side ideas; possible Davos rollout. | Many levers would require legislation/tax changes; details in flux. |
| Jan 10–12, 2026 | Call for one-year 10% cap on credit-card interest starting Jan 20. | No implementation detail; analysts and banks say legislation likely required; credit-rationing risk. |
| Jan 13, 2026 | Endorsed Credit Card Competition Act to increase routing competition and reduce swipe fees. | Would apply to large issuers/banks (assets ≥ $100B in reported versions); legislative path uncertain. |
| Jan 12–14, 2026 | DOJ probe/subpoenas related to Fed Chair Powell; Powell calls it a pretext to influence rate-setting; global/U.S. officials warn about independence risks. | Can raise term premium/volatility even absent policy changes; credibility shock risk. |

## Key source notes

• Credit-card APR cap: Reuters reports Trump called for a one-year 10% cap starting Jan 20, without implementation details; banks and trade groups argue it would restrict credit access and lead to fee/rewards changes.

• Swipe fees/routing: Trump publicly endorsed the Credit Card Competition Act; reporting describes the bill as requiring large issuers to enable routing over at least one alternative network besides Visa/Mastercard.

• Mortgages/housing: Reuters reports Trump ordered $200B in MBS purchases using Fannie/Freddie resources; Washington Post reports an affordability executive order under development with multiple ideas (down payments, investor limits, portability, supply).

• Fed independence: Reuters reports Powell said the administration threatened a criminal indictment and issued subpoenas; other central bankers and U.S. officials warned that undermining Fed independence can raise inflation/market risk.

## 2. Scenario 1 – Card Pricing + Payments Shock

**Scenario narrative**: The proposed credit-card APR cap moves from rhetoric to a binding constraint for revolving balances and/or new originations. Legislative momentum also increases for routing competition / swipe-fee reduction. Issuers respond by tightening underwriting, reducing lines, increasing annual/account fees, and cutting rewards. Some credit demand shifts to BNPL and other non-bank products; merchants may see lower acceptance costs but the pass-through to consumer prices is uncertain.

### Transmission channels

• Issuer profitability ↓ (interest income caps; fee substitution only partially offsets).

• Credit supply ↓ for subprime/near-prime; utilization constraints; merchant spend softens.

• Charge-offs can rise due to mix shift + macro slowdown; lower APR reduces interest burden for those who retain access.

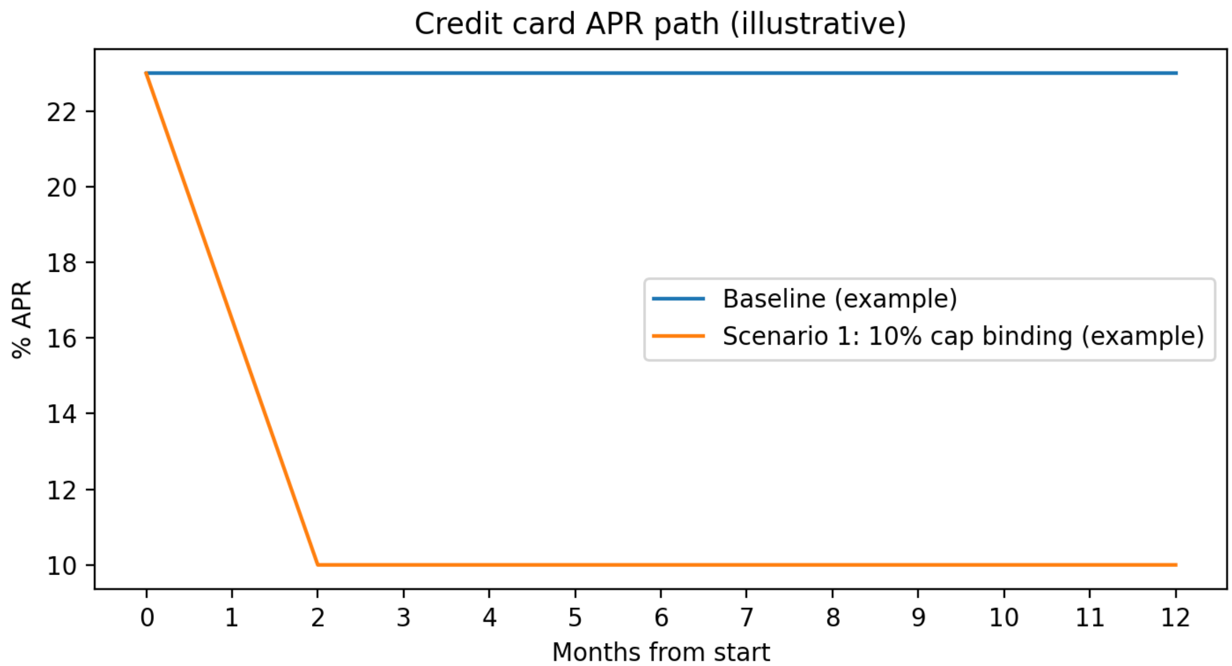
• Payment networks face volume/fee pressure; merchant pricing response uncertain.

• Rapid product changes create conduct, disclosure, and reputational exposures.

### Illustrative quantitative shocks (customize to your book)

| Metric | Mild | Severe | Notes |
|---|---|---|---|
| Effective card APR | Baseline – 10 pp | Toward 10% binding | Depends on statute and products covered. |
| Card originations / available lines | –20% | –40% | Parameterize by score bands and line management policy. |
| Card charge-off rate | +1.5 pp | +4.0 pp | Mix shift + spending slowdown tail. |
| Rewards expense | –10% | –25% | If issuers cut rewards to offset margin compression. |
| BNPL share of spend | +5 pp | +10 pp | If credit supply tightens and consumers substitute. |

### Chart: illustrative card APR path (template inputs)


Credit card APR path (illustrative)
% APR
22
20
18
16
14
12
10
0
1
2
3
4
5
6
7
8
9
10
11
12
Months from start
Baseline (example)
Scenario 1: 10% cap binding (example)

## 3. Scenario 2 – Housing Intervention + Mortgage Volatility

**Scenario narrative**: FHFA executes a large MBS purchase program (≈$200B) through the GSEs to push mortgage rates lower. In parallel, the administration pursues (or signals) limits on large investors buying single-family homes and applies pressure on home builders as part of an affordability agenda. A draft executive order includes a menu of ideas (down-payment funding access, portable/assumable mortgages, zoning/supply measures). Markets react with a short-term mortgage-rate dip and a refinance surge, but second-order effects (volatility, risk premia, policy whiplash) drive the stress.

### Transmission channels

• Mortgage rates ↓ modestly at first; refi applications ↑; originations and pipeline volumes respond quickly.

• Prepayment speeds ↑ → MBS durations shorten; convexity hedging flows increase; MSR values can fall.

• If investor restrictions bind, demand shifts by geography; rental market second-order effects uncertain.

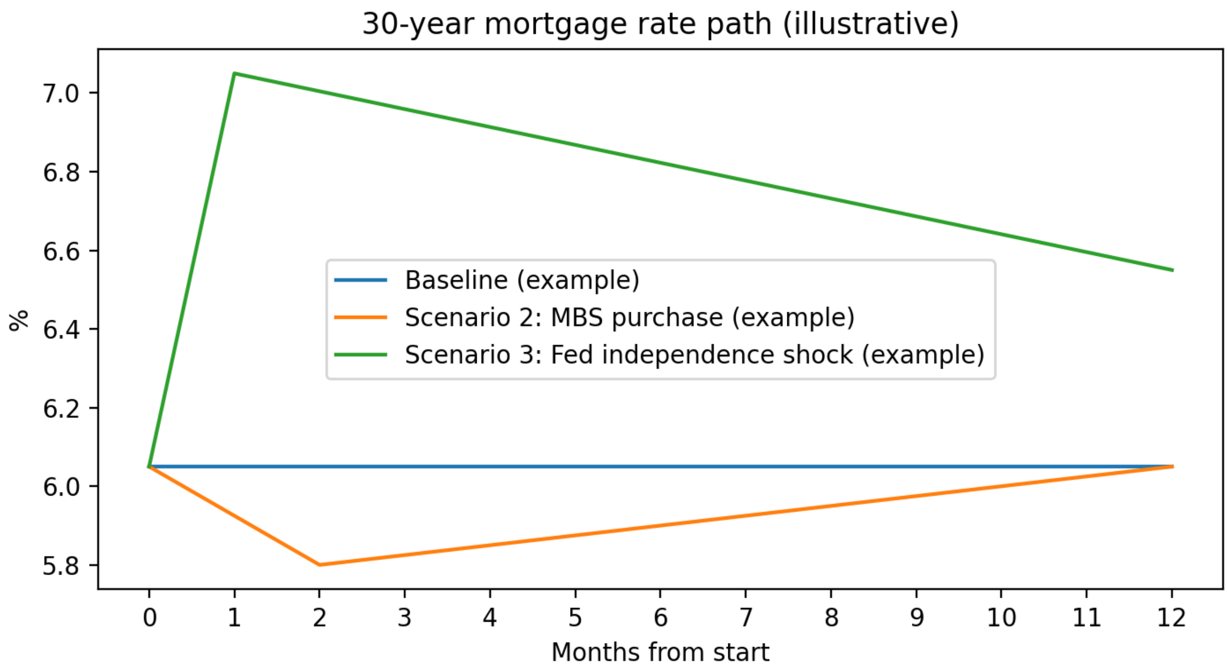
• Homebuilder sector risk: policy pressure on pricing/supply/capital return could affect valuations and build plans.

• If GSE IPO/privatization talk re-emerges, risk premia on agency MBS and mortgage credit can change rapidly.

### Illustrative quantitative shocks (customize)

| Metric | Mild | Severe | Notes |
|---|---|---|---|
| 30Y mortgage rate | –10–15 bp | –25 bp | Public estimates vary; execution details matter. |
| Refi volume | +25% | +60% | Highly nonlinear around key thresholds. |
| MBS OAS | –10 bp → +20 bp | –10 bp → +30 bp | Compression then widening if volatility rises. |
| Prepayment speed (CPR) | +30% | +80% | Portfolio-specific; refinance incentive matters. |
| Home prices (national) | 0% to –2% | –8% | Region-dependent; consider metro overlays. |

### Chart: illustrative mortgage-rate paths (template inputs)


30-year mortgage rate path (illustrative)
%
7.0
6.8
6.6
6.4
6.2
6.0
5.8
0
1
2
3
4
5
6
7
8
9
10
11
12
Months from start
Baseline (example)
Scenario 2: MBS purchase (example)
Scenario 3: Fed independence shock (example)

## 4. Scenario 3 – Fed Independence / Policy Credibility Shock

**Scenario narrative**: Political and legal pressure on the Federal Reserve escalates. Investors interpret the probe/subpoenas and public threats as a challenge to the Fed's institutional independence. Even without immediate changes to the policy rate, markets demand a higher term premium to hold long-duration U.S. assets; the USD weakens and risk assets reprice. Credit spreads widen and financial conditions tighten, feeding back into consumer credit and housing.

### Transmission channels

• Term premium ↑ → 10Y yields ↑; curve steepening possible; mortgage rates ↑ despite policy easing attempts.

• USD volatility ↑; foreign demand for Treasuries may soften at the margin; hedging costs move.

• Risk-off: equities ↓; credit spreads widen; liquidity premia ↑.

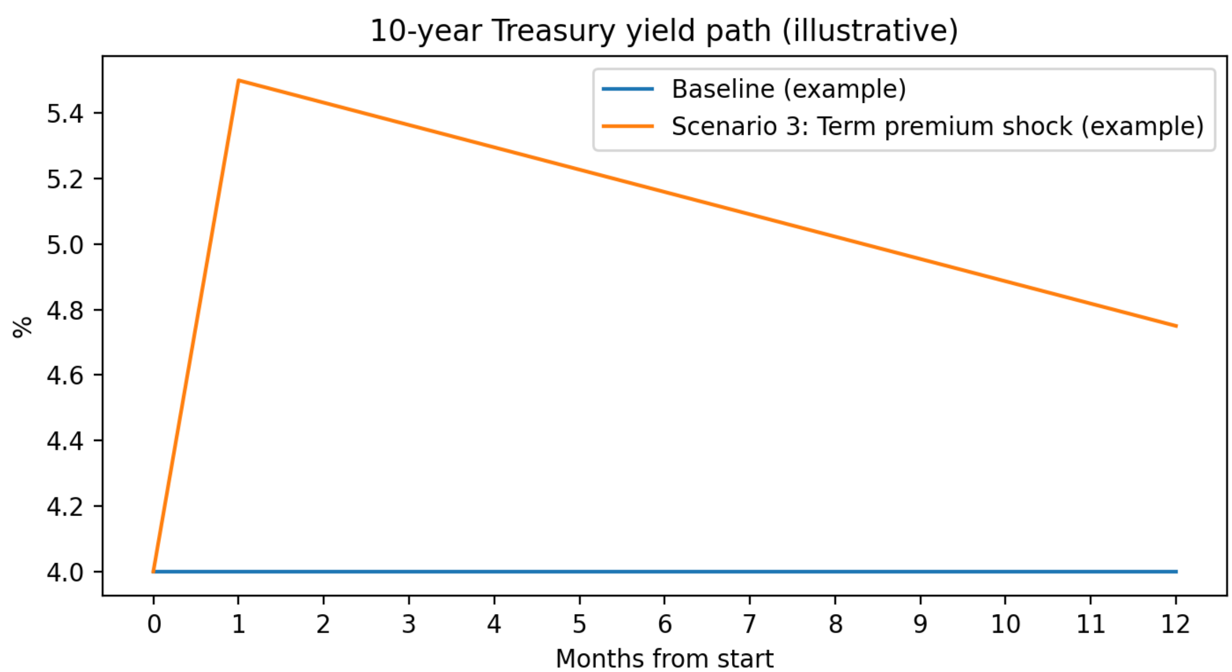
• Macro tail: tighter financial conditions → unemployment ↑; delinquencies/charge-offs ↑.

• Balance-sheet stress: AFS marks, deposit betas, and liquidity buffers can become binding constraints.

### Illustrative quantitative shocks (customize)

| Metric | Mild | Severe | Notes |
|---|---|---|---|
| 10Y U.S. Treasury yield | +50 bp | +150 bp | Primarily term premium / risk premium shock. |
| 30Y mortgage rate | +50 bp | +100 bp | Partial pass-through; monitor MBS spreads. |
| IG credit spreads | +80 bp | +200 bp | Risk-off widening. |
| Equities | –10% | –25% | Market drawdown. |
| Unemployment rate | +0.7 pp | +2.5 pp | Macro feedback tail. |

### Chart: illustrative 10Y yield path (template inputs)



## 5. How to run this package in practice

• **Step 1 – Exposure inventory**: quantify sensitivities to (a) card APR and fee income, (b) payments-network volumes/fees, (c) mortgage origination gain-on-sale, (d) MSR valuation and prepayment, (e) AFS/HTM duration and hedges, (f) consumer credit losses (cards, HELOC, auto, personal).

• **Step 2 – Scenario calibration**: start with the shock library and adjust by product and borrower segment (prime/near-prime/subprime; purchase vs refi; investor vs owner-occupied).

• **Step 3 – Financial translation**: translate shocks into P&L; and balance-sheet impacts (NII, fees, provisioning, marks, RWA, capital ratios, liquidity coverage).

• **Step 4 – Second-order behavior**: explicitly model issuer reactions (line cuts, rewards changes), borrower substitution (BNPL), and hedging feedback loops (MBS convexity).

• **Step 5 – Management actions**: layer in mitigants (pricing actions, hedges, cost levers, balance sheet repositioning) and re-run to estimate residual risk.

### Common model touchpoints

• Credit: PD/LGD shifts for consumer portfolios; scorecard recalibration under line reductions.

• ALM/IRRBB: NII sensitivity, EVE/NEV, deposit betas; AFS OCI management; hedge effectiveness.

• Mortgage: CPR/SMM, pipeline fallout, pull-through, hedging costs, MSR duration/convexity.

• Liquidity: stress deposit outflows and secured funding haircuts under spread widening.

## 6. Actionable steps

### 0–30 days (immediate)

• Stand up an “Affordability Policy Shock” working group (Risk, Treasury/ALM, Cards, Mortgage, Legal/Compliance, Government Affairs, Comms).

• Create a single tracker for: bill text and sponsors; agency actions (FHFA, CFPB, DOJ); White House EO releases; key litigation.

• Pre-build a card product playbook for a binding APR cap: pricing/fees, rewards, credit-line management, customer communications, exception handling.

• Run quick-turn stress on: card NII and attrition; MSR sensitivity to rate drops; AFS duration/OCI under a term-premium shock.

• Establish conduct guardrails for rapid product changes (UDAAP, disclosures, servicing scripts).

### 30–90 days (near-term)

• Re-segment card portfolio into “cap-binding” vs “non-binding” cohorts; recalibrate profitability & loss coverage under each.

• Update mortgage hedging program for higher convexity risk (rate down then up). Re-test hedge effectiveness under policy whiplash paths.

• Review counterparty/vendor exposure: payment processors, networks, BNPL partners, servicers, hedge counterparties.

• Scenario-based capital planning: define triggers for balance-sheet actions (RWA optimization, AFS/HTM positioning, dividend/buyback decisions).

• Customer strategy: offer hardship/refinance pathways that reduce delinquencies without relying on high APR income (if cap risk persists).

### 3–12 months (strategic)

• Diversify card economics: subscription/relationship pricing, merchant-funded rewards, and compliant non-interest fee models.

• Revisit long-term mortgage strategy: servicing retention, product mix (ARM vs fixed), and technology for fast refi response.

• Operational resilience: policy-driven surges (refi wave, account repricing) require capacity, QA, and complaint-handling upgrades.

• Board governance: define appetite for political/regulatory risk; incorporate into ICAAP/CCAR-style stress testing.

## 7. Monitoring & early-warning indicators

Indicators to decide when to escalate from planning to execution.

| Indicator | Why it matters | Trigger examples |
|---|---|---|
| Legislation progress (APR cap / CCCA) | Moves from rhetoric to binding constraints | Committee hearings; bill text changes; leadership scheduling |
| FHFA execution details on $200B MBS buys | Drives mortgage-rate and spread impact | Purchase pacing; eligible coupons; risk limits and transparency |
| Mortgage market metrics | Signals refi wave and convexity risk | Refi index spikes; MBS OAS widening; hedge-flow indicators |
| Card portfolio leading indicators | Early credit rationing and loss trend | Line cuts; utilization spikes; early-stage delinquency; complaint volumes |
| Fed probe escalation / appointment risk | Can move term premium and USD | Additional subpoenas; legal filings; nomination announcements; confirmation friction |

## Appendix – Selected source list (fact base)

• Reuters (Jan 12, 2026): Banks warn consumers will be hurt by Trump's proposed 10% cap on credit card interest rates.

• Reuters (Jan 12, 2026): Explainer on how the proposed cap could reshape consumer lending.

• Bloomberg (Jan 13, 2026): Trump endorses Credit Card Competition Act targeting swipe fees / routing competition.

• PaymentsDive (Jan 13, 2026): Summary of endorsement and bill mechanics (assets ≥ $100B routing requirement reported).

• Reuters (Jan 8, 2026): Trump orders $200B mortgage bond buys via Fannie Mae and Freddie Mac; estimated limited mortgage-rate impact.

• Reuters (Jan 7, 2026) and Washington Post (Jan 9, 2026): investor limits and reported housing affordability EO drafting.

• Reuters (Jan 12–14, 2026): DOJ subpoenas / probe of Fed Chair Powell; market and global central banker reactions.

Workbook companion file: **stress_scenario_package_workbook.xlsx**

Charts are illustrative and based on template inputs; update with your baseline and recalibrate deltas to match your portfolios.