THIS WEEK IN WALL STREET REFORM

TABLE OF CONTENTS

Big Picture

Op-ed – The Real Causes of the Economic Crisis? They're History
Phil Angelides (Washington Post op-ed)
June 28, 2011

"They say that winners get to write history. Three years after the meltdown of our financial markets, it's clear who is winning and who is losing. Wall Street - arms outstretched in triumph - is racing toward the finish-line tape while millions of American families are struggling to stay on their feet. With victory seemingly in hand, the historical rewrite is in full swing." Click here for more.

GOP uses budget, other tools to sap financial law
Alan Fram (The Associated Press)
July 5, 2011

"Congressional Republicans are greeting the one-year anniversary of President Barack Obama's financial overhaul law by trying to weaken it, nibble by nibble. Wary of attempting to dismantle the entire statute and being portrayed as Wall Street's allies — banks are among the nation's most unpopular institutions — GOP lawmakers are attacking corners of it. They can't prevail because they don't control the White House or Senate, but they may be able to force some compromises on agency budgets, pressure regulators and influence some of Obama's nominations." Click here for more.

Romney Calls Dodd-Frank An Overreach, Then Admits He's Not Sure What's In It
Travis Waldron (ThinkProgress)
July 6, 2011

"Former Massachusetts Gov. Mitt Romney (R) continued leveling attacks on the Dodd-Frank financial reform law during two campaign stops in New Hampshire yesterday. According to Romney, who had previously indicated support for repealing the law and has attacked it repeatedly in the early stages of his campaign, tightening regulations on Wall Street financial firms is akin to "pouring molasses" on the economy." Click here for more.

Go Back to Table of Contents

CFPB and Consumer Issues

Consumer Bureau: Mortgage Servicing Fixes a Priority
Maya Jackson Randall and Alan Zibel (Dow Jones Newswires)
July 7, 2011

"Fixing the U.S. mortgage servicing market, an enormous market plagued with allegations of shoddy home-foreclosure practices, will be one of the new U.S. consumer-financial protection bureau's top priorities, a bureau official is prepared to tell U.S. lawmakers at a congressional hearing on Thursday. In his written testimony, Raj Date, an associate director at the Consumer Financial Protection Bureau, noted reports of banks and other firms charging homeowners inaccurate fees, losing paperwork and improperly foreclosing on homeowners." Click here for more.

Click here to view the written testimony of Raj Date, Associate Director for Research, Markets, and Regulation for the CFPB and **click here** to view the written testimony of Mike Calhoun, President of CRL before the House Financial Services Committee's Subcommittee on Financial Institutions and Consumer Credit and Subcommittee on Oversight and Investigations on Thursday – click here for the full hearing.

Elizabeth Warren, Champion of Consumer Financial Protection
Drake Bennett (Bloomberg/Businessweek – cover story)
July 7, 2011

"Elizabeth Warren's admirers often refer to her as a grandmother from Oklahoma. This is technically true. It's also what you might call posturing. Warren, 62, is a Harvard professor and perhaps the country's top expert on bankruptcy law. Over the past four years she has managed to stoke a fervent debate over the

government's role in protecting American consumers from what she sees as the predatory practices of financial institutions, and she has positioned herself as the person to oversee a new federal agency to rewrite the rules of lending. Warren is a grandma from Oklahoma in roughly the same way Ralph Nader is a pensioner with a thing about cars." *Click here for more.*

An Agency Builder, but Not Yet Its Leader
Edward Wyatt (New York Times)
July 5, 2011

"Only President Obama can decide if [Elizabeth] Warren is his choice for director, and for months he has said nothing about it. Mr. Obama has said he has great respect for Ms. Warren and her advocacy for consumers, but he has appeared unwilling to wage a battle with the Senate ... But with no clear signal as to who will run the bureau, many bankers are now worrying that the opposition to Ms. Warren may produce a leaderless consumer bureau. Without a director, the agency cannot regulate nonbank financial companies, including payday lenders, mortgage companies and consumer credit agencies. Those businesses compete directly with local banks, and bankers do not like the idea that their institutions will be regulated by the bureau while their chief competitors will not." *Click here for more.*

CFPB to Track Financial Complaints from Military
Kate Davidson (American Banker – subscription required)
July 7, 2011

"The Consumer Financial Protection Bureau and military lawyers announced an agreement to provide stronger protections for service members and their families." Click here for more.

Consumer agency has soft launch
Joseph Williams (Politico)
July 6, 2011

"The offices of the new Consumer Financial Protection Bureau, located in a nondescript downtown Washington office building, do not resemble the nerve center of a powerful federal regulatory agency as much as the desks-everywhere, here-today headquarters of an Internet start-up. Some employees work in a windowless break room furnished with cabinets and a countertop. A small cubicle farm has sprouted in the suite's open area. Folding tables are set aside for new hires, and the "Dodd-Frank conference center" — designated by a removable nameplate at the door — doubles as storage for office chairs." *Click here for more.*

Will the GOP Topple Warren?
Michael Tomasky (Daily Beast)
July 6, 2011

"The march to create the CFPB has developed into yet another intensely partisan hurricane whipped into being by a frothing Republican opposition. And sitting in its eye, trying to hire staff, put systems in place, and keep a forceful hand on the rudder, ..."
Click here for more.

Go Back to Table of Contents

Preemption

Carper/Warner Push on Pre-Emption
Ben White (Politico's Morning Money)
July 8, 2011

"Sen. Tom Carper (D-Dela.) and Mark Warner (D-Va.) plan to send a letter to Treasury Secretary Tim Geithner today to underscore the intent behind their amendment to Dodd-Frank that maintained federal pre-emption of state banking laws. The letter from the senators is in response to comments from Treasury General Counsel George Madison sent to the OCC. From the Carper/Warner letter: 'While we understand that the position of the Administration was to eliminate federal preemption for national banks, the fact is that Congress did not accept that position. Our amendment maintaining the Barnett standard passed the Senate

by an overwhelming vote of 80 to 18. Both the language of the final law and its legislative history clearly demonstrate that the Barnett standard is maintained, and the Treasury position in this comment process was, in fact, rejected by Congress.'" Full letter: http://politi.co/ovayf9 ***MORE CARPER:*** *'As the principal author of the preemption provisions in the Dodd-Frank Act, I remain concerned that the intent of these provisions are being misunderstood. ... These provisions do not create a brand new preemption standard, but instead clarify that the traditional preemption tests, as laid out by the Supreme Court in the Barnett case, continue to apply.'"*

Click here to view AFR's letter to the OCC on June 27st.

Excerpt:

> *"As Congress worked to rebuild our consumer protection system in the Dodd-Frank Wall Street Reform and Consumer Protection Act, it chose to encourage an active and effective partnership between the states and federal financial regulatory agencies. Even with a strong new Consumer Financial Protection Bureau, states are essential first responders, on the front lines where they see abuses first and can react more quickly, before problems become widespread nationally. Rather than embrace the states' role as partners and the mandates of the Dodd-Frank Act, the OCC's proposed rules would continue to broadly preempt state consumer protection laws governing mortgages, credit cards, bank accounts, and other banking products. The proposed regulations also impermissibly restrict the enforcement actions states may take."*

Shadow Markets and Systemic Risk

Derivatives Fight Rages On
Ben White (Politico's Morning Money)
July 8, 2011

"The Progressive Policy Institute issued a paper yesterday arguing that the Dodd-Frank derivatives reforms could harm traditional end-users. House Agriculture Committee Chairman Frank Lucas (R-Okla.) jumped on the report as an example of regulatory overreach: "With the unemployment rate above 9 percent, we need the Administration to say, at the very least, they won't impose new regulations that will only make it worse. The paper raises the critical point: regulators are going too far in interpreting Dodd-Frank, and unless changes are made job creation and the economy will suffer." ***COUNTER-POINT*** *- Proponents of derivatives reform hit back hard, pointing to an article by MIT's John Parsons: "The [PPI] piece recycles bad arguments made previously by others, and offers absolutely nothing new. For example, to quantify the potential job losses attributable to requiring margin from end-users, the authors repeat the discredited numbers produced earlier this year in a 'study' commissioned by the Business Roundtable ... Although the earlier work has been discredited, if the numbers are recycled through enough other outlets, then they can be naively quoted in future lobbying work." Parsons piece: http://bit.ly/ns62ii PPI study: http://politi.co/qNFxdd"*

******* AFR hosted a conference call with reporters/bloggers to discuss the impact of derivatives market reforms in the Dodd-Frank Act with John Parsons and António S. Mello - to listen to a replay of the call which lasted 42 minutes use this call-in information:

(661) 673--8609
997512#

Ignore the prompt about a reference number and simply hit # to listen to latest recording.

Hit 1 to rewind 30 seconds, 2 to fast forward 30 seconds and 5 to pause/resume playback. The first couple of minutes we are talking about RSVPs and sound quality, so you can fast forward through it.

Push to regulate derivatives is under strain
Tom Braithwaite in New York, Brooke Masters in London and Nikki Tait in Brussels
July 8, 2011

"The global deal to regulate opaque derivatives markets is under strain, according to officials and bankers, amid increased tensions between countries on the shape of the new regime. Group of 20 leaders struck an agreement in 2009 to force over-the-counter derivatives through central clearing and, where possible, on to

electronic exchanges in an attempt to boost transparency and reduce risk in the notoriously shadowy market." Click here for more.

Are Hedge Funds Too 'Safe to Fail'?
Amy Or (WSJ – subscription required)
July 7, 2011

"A global hedge fund association, seeking to deflect efforts to increase regulation of the investment vehicles, said today hedge funds aren't "systemically important financial institutions" that would require special government oversight." Click here for more.

Commodity Speculation

Gasoline prices continue to decline; new report blames previous price increase on 'rampant speculation'
Fontana Herald News
July 1, 2011

Just in time for the July 4 holiday, gasoline prices continued to plunge in the Inland Empire. The average price of unleaded gasoline in the San Bernardino area on Friday was $3.75, a substantial decrease from a month ago, when the average was $3.97. However, the price remains much higher than it was a year ago ($3.04).Also this past week, a new report said that 'rampant speculation' has played a greater role in distorting the true price of gas at the pump, more than changes in global markets. The report was entitled 'How Speculation is Driving Up Gasoline Prices Today' and was released by CALPIRG, a statewide consumer advocacy organization. Click here for more.

Click here to read a summary of the release and press coverage of our report with Robert Pollin and James Heintz, "How Wall Street Speculation is Driving Up Gas Prices Today"

A year after Dodd-Frank, CFTC tackles manipulation
Christopher Doering and Charles Abbott (Reuters)
July 7, 2011

"The Commodity Futures Trading Commission, which has been beset by delays as it carries out last year's Dodd-Frank financial reform law, on Thursday finalized five rules, including one that will give it more muscle to crack down on market manipulation and fraud. 'This closes a significant gap as it will broaden the types of cases we will pursue and improve the chance of prevailing over wrongdoers,' said Gary Gensler, the CFTC's chairman. 'It is a significant rule.'" Click here for more.

Click here to view **Opening Statement by CFTC Chairman Gary Gensler on July** on Thursday

Commodities Beckon Banks
Carolyn Cui and Tatyana Shumsky (WSJ – subscription required)
July 5, 2011

"About 600 miles from Wall Street, Goldman Sachs Group Inc. employees are busy doing deals.But instead of a sleek office tower, they work in a rundown warehouse deep in an industrial section of Detroit. And rather than trading in stocks or bonds, they move metal—lots of metal. Goldman's warehouse on the banks of the Detroit River is one of more than 100 storage facilities controlled by the giant securities firm around the world. The warehouses are part of Wall Street's effort to forge a new frontier in the commodities markets: warehousing metal." Click here for more.

China Slow to Loosen Grip on Commodity Exchanges
Fayen Wang (Reuters)
July 05, 2011

"China will follow a glacial pace in opening its booming commodity exchanges to foreign investors, as cautious regulators fashion rules to limit speculation that could drive up prices and currency convertibility remains a hot button politically. When China finally cracked its doors open to select foreign investors to trade on stock index futures in May, many investors wondered how soon regulators might put out the same welcome mat for the country's booming commodity exchanges." Click here for more.

Go Back to Table of Contents

Foreclosures and Housing

Obama admits misstep on housing, extends help to jobless homeowners
Peter Wallsten and Brady Dennis (Washington Post)
July 7, 2011

"The Obama administration said Thursday it would require lenders to allow unemployed homeowners to delay their monthly payments for up to a year without threat of foreclosure. The announcement came a day after the president made a rare admission of a policy misstep, acknowledging that his policies have failed to provide enough support to struggling homeowners and recognize the scope of the nation's housing crisis." Click here for more.

Click here *t*o view the press statement from the Leadership Conference on Civil and Human Rights

Excerpt:

"We commend the administration for siding with American families. Now it is up to other lenders – including Fannie Mae and Freddie Mac – to follow suit. This announcement recognizes that the housing crisis is essentially a jobs crisis. It acknowledges that foreclosures hurt more than just the families who get forced out onto the streets; it hurts lenders, communities, and puts our economy in jeopardy. Each day can feel like a whole year for the millions of Americans who struggle to make ends meet in this challenging economy."

And **click here** to view the press statement from the PICO National Network.

Bank of America, JPMorgan Said to Near Foreclosure Deal With U.S., States
Dawn Kopecki (Bloomberg)
July 7, 2011

"JPMorgan Chase & Co. (JPM), Bank of America Corp. (BAC) and three other U.S. mortgage servicers are in advanced talks to resolve state and federal claims over faulty foreclosures, according to two people briefed on the matter. Negotiators tentatively set a July 13 target for a settlement, which may exceed $20 billion, the people said, speaking on the condition of anonymity because the talks are private." Click here for more.

Treasury to reward servicers for quicker mortgage modifications
Jon Prior (Housing Wire)
July 6, 2011

"The Treasury Department will pay mortgage servicers more for modifying loans in an earlier stage of delinquency and less the longer the process takes, according to guidance released Wednesday. The Treasury said these same guidelines, effective Oct. 1, will be adopted by Fannie Mae and Freddie Mac when the Federal Housing Finance Agency releases the new mortgage servicing fee structures that same month. Through HAMP, a servicer receives $1,000 when a homeowner is placed into a verified income trial modification that would last three months before turning permanent. Since the program launched in March 2009, servicers started 1.6 million trials and started roughly 731,000 permanent modifications through May" Click here for more.

Bless this mess
Mark DeCambre (NY Post)
July 6, 2011

"America's biggest mortgage servicers are closing in on a deal with federal and state officials to settle some of the thorniest foreclosure fiasco problems -- including the robo-signing issue, The Post has learned. The proposed settlement with the Department of Justice and 50 state attorneys general, once thought to be in the neighborhood of $20 billion, could range as high as $25 billion and include a provision for principal reduction, sources close to the discussions said." Click here for more.

Borrowers take banks to court after loan modification mishaps
Associated Press

July 5, 2011

"The suit, which was filed in Los Angeles federal court because BAC is located in nearby Calabasas, is among a growing number of legal complaints accusing banks of disregarding what should be binding agreements to reduce the monthly mortgage payments of troubled borrowers. The suits involve permanent modifications through the U.S. Treasury-administered Home Affordable Modification Program, which offers incentives to loan servicers who extend modifications, as well as so-called proprietary modifications, which banks offer independently of the government guidelines." *Click here for more.*

Private Mortgage Insurers See More Defaults Than Loan Cures
Carrie Bay (DSnews.com)
July 5, 2011

"Private mortgage insurers had more new notices of default to contend with during the month of May than they had loan cures. It was the first time in four months that defaults outnumbered cures. Mortgage Insurance Companies of America (MICA) says its five members reported 44,853 defaults and 36,159 cures in May. The group's cure/default ratio for the month came in at 80.6 percent." *Click here for more.*

Activist official: Mortgage flaws pervasive 'crime'
Jerry Kronenberg (Boston Herald)
July 5, 2011

Five out six North Shore [Massachusetts] mortgages checked for paperwork problems showed evidence of 'robo-signing' or other flaws that could make properties hard to sell or refinance, a new audit shows. 'My registry is a crime scene,' Southern Essex County Register of Deeds John O'Brien said in releasing a test audit of 473 mortgages filed with his office during 2010. 'This crime has affected thousands of home-owners in Essex County who, through no fault of their own, have had their property rights trampled on and their chain of title compromised.' *Click here for more.*

Shadow Inventory and REOs Loom Over National Recovery
Krista Franks (DSnews.com)
July 5, 2011

"Several financial sectors suggest economic stabilization and growth, but the nation's housing market continues to dampen overall conditions, according to the credit bureau Equifax. Equifax, based in Atlanta, has released the results of a study it conducted during the month of May analyzing national credit trends. The company points to shadow inventory and REOs as the two major mortgage market depressors. 'Shadow inventory and real estate owned properties are still playing a dominant role in today's mortgage market and slowing the pace of economic recovery,' said Craig Crabtree, SVP and general manager of Equifax Mortgage Services." *Click here for more.*

Go Back to Table of Contents

Executive Compensation

US shareholders grab chance for 'say on pay'
Dan McCrum in New York (FT – registration required)
July 5, 2011

"US shareholders have used new powers to stage protest votes over executive pay during this year's annual meeting season. Pay packages were rejected outright at Hewlett-Packard and Jacobs Engineering while other big companies such as Monsanto and Northern Trust faced shareholder protest votes." *Click here for more.*

Shareholders Are Giving CEOs the Right Pay: Business Class
Steven Kaplan (Bloomberg)
June 30, 2011

As always happens in the spring, companies reported the pay of their chief executive officers and other top leaders. And, as usual, the press and activists complained that CEOs are paid more and more, without regard for performance, and that boards aren't doing their jobs. But there's a twist this year. The Say-on-Pay *rules in the [Dodd-Frank legislation] required for the first time that shareholders vote on executive-pay packages. And to the surprise of many, those votes have been overwhelmingly positive. The pay policies at more than 98 percent of the companies in the Standard & Poor's 500 Index received majority shareholder support. Almost 90 percent of those companies received favorable votes exceeding 70 percent." Click here for more.*

We Knew They Got Raises. But This?
Pradnya Joshi (NYT)
July 2, 2011

"IT turns out that the good times are even better than we thought for American chief executives. Among the executives who registered huge gains in the value of their company stock and options in 2010 were Warren E. Buffett, the chief executive of Berkshire Hathaway, top, Lawrence J. Ellison of Oracle, center, and Jeffrey P. Bezos of Amazon.com. Together, the three men's holdings climbed by more than $13 billion for the year.A preliminary examination of executive pay in 2010, based on data available as of April 1, found that the paychecks for top American executives were growing again, after shrinking during the 2008-9 recession." Click here for more.

Do companies want to hide CEO pay?
David Sirota (Creators Syndicate)
July 1, 2011

"We've long known that executive pay has skyrocketed during the last 40 years -- and especially during the last 20. As the Economic Policy Institute has reported, the average CEO makes roughly 300 times the average worker -- up from 100 times the average in the early 1990s and 40 times the average in the 1970s. In this new Gilded Age, we are inundated with stories about how executives -- even in taxpayer-subsidized industries like banking -- are paying themselves record salaries. This is nothing new -- in fact, it's lately been a bragging point for firms in their efforts to attract talent. So, then, why is Corporate America suddenly so shy about compensation rates?" Click here for more.

Will Bank of America execs get to keep their bonuses?
Eleanor Bloxham (Fortune)
July 1, 2011

"The bank's proposed $8.5 billion settlement with investors will not lead to a financial restatement, so executives will not likely be required to give back their bonuses. What would happen to you if you made an $8.5 billion 'mistak"' or contributed to one at your job? Bank of America's (BAC) recently proposed $8.5 billion settlement with investors in its mortgage-backed securities certainly amounts to a decent chunk of change. Even so, some may argue it's rather small, given the damage that executives caused by not accurately disclosing the contents of the securities they sold." Click here for more.

How to get paid like a U.S. CEO
Eleanor Bloxham (Fortune)
July 5, 2011

"While millions are still out of work, U.S. CEOs received a 28% pay raise this past year. A lot of factors are driving the increases. Job performance isn't one of them. Did you get a decent raise last year? How about 28% without having to change jobs, vie for a promotion or outperform your peers? If you were a CEO of an S&P 500 company last year and your pay only *went up 28%, then sorry, but half your peers did better than you. So with millions out of work, how do U.S. CEOs keep their pay rising in good times and bad? The short answer is an army of support and a few small distinctions. Here's how it's done." Click here for more.*

Will Big Pay Make Your CEO Choke?
Matt Koppenheffer (Motley Fool)
July 5, 2011

"The words "incentive" and "incentivize" are staple language in most companies' proxy statements. And that would seem to make sense; after all, a significant portion of most proxies is devoted to picking apart the compensation plan for the top executives. For Las Vegas Sands , the word "incentive" shows up 46 times in its proxy as the company details multiple plans for motivating key people like CEO Sheldon Adelson. Raytheon

peppers the same word 80 times through its proxy as it describes how it "incentivizes achievement of our overall business objectives" ("incentivize" shows up four times). Cirrus Logic tops both with 87 mentions of "incentive" and it asserts that its plan has "demonstrated that it incentivizes desirable behavior from our executives."' [Click here for more.]

Democrats Oppose Repeal of Pay Equity Disclosure Mandate
Ted Allen (RiskMetrics blog)
July 7, 2011

"Four Senate Democrats said they would oppose the repeal of a Dodd-Frank Act provision that would require companies to disclose the ratio between their CEO's total compensation and the median total pay of all other employees. In a letter on Wednesday, Senators Robert Menendez of New Jersey, Tom Harkin of Iowa, Sherrod Brown of Ohio, and Carl Levin of Michigan defended Section 953(b) of the Dodd-Frank legislation and urged a corporate lobbying group to drop its opposition to this provision. Menendez and Brown are members of the Senate Banking Committee, which has jurisdiction over corporate disclosure issues; Menendez was the original author of Section 953(b)." Click here for more.

Interchange

Fed Almost Certain to Revisit Durbin Amendment Regulation, Executive Says
David Morrison (Credit Union Times)
July 6, 2011

"Based on the experiences in other countries which have also capped debit interchange, credit unions should expect to see the Federal Reserve revisit its Durbin Amendment regulations in the next one to two years. That is the opinion of Andy Brown, director of product marketing for ACI Worldwide, a payments software developer." Click here for more.

Visa Affirms FY11 Outlook, But Sees New Debit Card Rules Slowing FY12 Growth
RTT News
July 6, 2011

"Visa Inc. (V: News), the world's largest payment card processing network, on Wednesday affirmed its revenue and earnings growth outlooks for fiscal 2011, but warned that growth will slow down next year after the U.S. Federal Reserve's new debit card interchange fees and routing regulations come into effect." Click here for more.

Go Back to Table of Contents

Student Lending

Are Subsidized Student Loans Worth the Price?
James Kwak (The Baseline Scenario)
July 4, 2011

"Previous guest blogger Anastasia Wilson has written a post on her own blog comparing the student loan racket (for-profit colleges help people take out lots of federally guaranteed student loans to pay for their tuition, then do a lousy job educating them, walking away with the money and leaving students to default) to the subprime loan racket. The flagbearer for this parallel is Steve Eisman, who has gone from shorting subprime mortgages to now shorting for-profit colleges." Click here for more.

FTT

EU presidency says only global Tobin tax effective
Reuters
July 4, 2011

"A tax on financial transactions must be global to work or else it risks being sidelined, a top European Union presidency official said on Monday.'If we are to have an effective financial transaction tax it will have to be worldwide,' Polish Finance Minister Jacek Rostowski told the European Parliament's economic affairs committee. Poland began its six-month stint as president of the 27-nation bloc on July 1." [*Click here for more.*]

[*Go Back to Table of Contents*]

OTHER

As Wall St. Polices Itself, Prosecutors Use Softer Approach
Gretchen Morgenson and Louise Story (NYT)
July 7, 2011

"As the financial storm brewed in the summer of 2008 and institutions feared for their survival, a bit of good news bubbled through large banks and the law firms that defend them. Federal prosecutors officially adopted new guidelines about charging corporations with crimes — a softer approach that, longtime white-collar lawyers and former federal prosecutors say, helps explain the dearth of criminal cases despite a raft of inquiries into the financial crisis". [*Click here for more.*]

Goldman Sachs flexes its lobbying muscle
Jim Puzzanghera (Los Angeles Times)
July 5, 2011

"Facing the wrath of the public and the government after the global financial crisis that hit three years ago, Wall Street titan Goldman Sachs Group Inc. has opened a new front for its aggressive business tactics — the nation's capital. Increased federal oversight and the threat to its lucrative investment bank business from investigations and pending regulations have led Goldman to bolster its Washington presence significantly, turning a low-key lobbying operation into a sophisticated, high-powered enterprise. Last month, for example, the company began fighting back against the results of one of those probes, a bipartisan Senate investigation that criticized Goldman for profiting from the real estate crash by making huge bets against the subprime mortgage market. Goldman has told investigators the report overstated its investments and misstated its profits. The company has even floated some of the criticism to media outlets. Going public is a departure from Goldman's usual, under-the-radar style. Befitting a firm that abhors the spotlight, Goldman has developed a stealthy Washington lobbying operation led by a little-known but well-connected former congressional staffer." [*Click here for more.*]

Profits Thrive in Weak Recovery
James R. Hagerty and Jon Hilsenrath (WSJ)
July 5, 2011

"While the U.S. economy staggers through one of its slowest recoveries since the Great Depression, American companies are poised to report strong earnings for the second quarter—exposing a dichotomy between corporate performance and the overall health of the economy. Two years after the official end of the recession, a range of indicators show that the economic recovery has been the worst, or one of the worst, since the government began tracking such data after World War II: Unemployment is too high, bank lending necessary to spur spending is too low, home prices are depressed while household expectations for financial well-being are near record low levels. Many economists predict the sluggish rebound may continue for years." [*Click here for more.*]

Paulson Enjoys $550 Million Lehman Boost
Dan McCrum and Telis Demos (FT Alpha – subscription required) via CNBC.com
July 4, 2011

***"**Paulson & Co, the hedge fund that made billions from betting on a collapse in mortgage-backed securities during the financial crisis, has made more than $550 million from a recovery in the value of bonds it bought in failed investment bank Lehman Brothers.The world's third-largest hedge fund has made a profit of $554 million before legal fees, on more than 2,000 trades in Lehman bonds that started the day the investment* *bank filed for bankruptcy in 2008, according to an analysis of court documents by the Financial Times." [Click here for more.]()*

US Banks Edging Toward Loan Growth
Reuters
July 6, 2011

"Major U.S. banks appear to be finally opening the lending spigot. Second-quarter earnings reports due this month are likely to reveal a slight reversal of the long-term shrinkage in bank loan books, one of several positive signs for investors, bank analysts said." Click here for more.

Golub Says Dodd-Frank Will Have 'Malignant' Consequence
Bloomberg
July 5, 2011

Harvey Golub, former chairman of American International Group Inc., discusses negotiations to raise the U.S. debt ceiling, bank regulation and the housing market. Golub speaks with Betty Liu on Bloomberg Television's "In the Loop." Click here for more.

Op-d - Wall St. and regulation: Signs of clout in New York
Dan Janison (Newsday op-ed)
July 5, 2011

"…Last month, with little fanfare, both of New York's U.S. senators and 16 of its House members signed a letter to federal officials warning that proposed rules governing derivative sales could give U.S. banks a competitive disadvantage. The sight of members of New York's congressional delegation showing concern for Wall Street firms might be as predictable as Texan representatives responding to the agendas of oil companies. Regional jobs and revenue are at stake. Politically, there are also big campaign contributions in the mix." Click here for more.

Click here to view AFR's letter to the federal regulators in response to the NY delegation letter

Excerpt:

> *"Americans for Financial Reform (AFR) strongly disagrees with the recent letter from members of the New York Congressional delegation calling for a blanket exemption from U.S. derivatives regulations for foreign subsidiaries of U.S. banks when dealing in foreign jurisdictions. By prioritizing arguments about global competitiveness above concerns about the safety and soundness of U.S. financial institutions, it encourages a return to the regulatory race to the bottom that so recently devastated our financial markets."*

Dimon-Bernanke Faceoff Shows Frustration Over Regulation Amid Kohn Regrets
David J. Lynch (Bloomberg)
July 7, 2011

"When a top banker chooses to tangle publicly with the chairman of the Federal Reserve Board, it can only mean one of two things: strength or desperation." Click here for more.

The Truth (and Lies) About Financial Regulation
David Weidner (WSJ – subscription required)
July 7, 2011

"Do you feel financially safer than you did a year ago? Do you have faith in your bank, your government and the regulators? Before you answer, consider that in just a couple of weeks, the controversial Dodd-Frank law will celebrate its first birthday." Click here for more.

Analysis: JPMorgan close to becoming the top U.S. lender
David Henry (Bloomberg)
July 7, 2011

"JPMorgan Chase & Co is close to vaulting past Bank of America Corp to become the biggest bank in the United States, but it will likely get there in an odd way -- by shrinking less than its rival. Both JPMorgan

Chase and Bank of America are getting smaller as they shake off the excesses of the years leading up to the financial crisis. If JPMorgan becomes the biggest, chief executive Jamie Dimon could see the validation of his cautious management before and during the crisis. Bank of America's drop to second would illustrate how former Chief Executive Ken Lewis saddled the bank with bad acquisitions that are hampering current CEO Brian Moynihan." Click here for more.

Obama Nominates Chief for OCC
Victoria McGrane and Alan Zibel (WSJ – subscription required)
July 1, 2011

"President Barack Obama said he intends to nominate Thomas Curry, a member of the Federal Deposit Insurance Corp. board, to be comptroller of the currency, a pick that could represent an attempt to find a nominee acceptable to bankers and consumer advocates alike. Mr. Curry, a registered independent who served two stints as the top Massachusetts banking regulator, will fill an open slot at a key banking agency charged with helping to implement last year's Dodd-Frank financial-regulatory overhaul law. He already has been confirmed by the Senate once, which could make his path smoother than other recent Obama nominees. He has spent most of his career as a regulator." Click here for more.

Bair Gave FDIC Teeth
Deborah Solomon (WSJ – subscription required)
July 7, 2011

"Sheila Bair, who is stepping down as chairman of the Federal Deposit Insurance Corp. this week, leaves behind an agency transformed from a sleepy bank overseer into a financial regulatory powerhouse focused on preventing another financial crisis. At her last FDIC meeting Wednesday, the agency finalized a rule allowing the government to recover compensation from executives responsible for a financial firm's collapse. The rule is one of many Ms. Bair successfully pushed through in the wake of the 2008 financial crisis to try and mitigate risk-taking by financial firms and their leaders." Click here for more.

Go Back to Table of Contents

FDIC's Sheila Bair on U.S. Banks, Regulation
Bloomberg video
July 6, 2011

"Federal Deposit Insurance Corp. Chairman Sheila Bair talks about the agency's accomplishments during her tenure, the state of the U.S. banking industry and financial regulation. Bair, who will leave the FDIC at the end of the week, speaks with Peter Cook on Bloomberg Television's "Bottom Line." Bloomberg's Mark Crumpton also speaks." Click here for more.

So long, Sheila Bair
Jennifer Taub (The Pareto Commons blog)
July 8, 2011

"Sheila Bair's five-year term as Chairman of the Federal Deposit Insurance Corporation (FDIC) ends today, Friday, July 8th. During her tenure, Bair racked up an impressive list of achievements. Notably, even with the recent wave of bank failures, Bair managed to use only the industry-supplied deposit insurance fund (DIF), and not taxpayer dollars to shut down and sell off hundreds of insolvent banks." Click here for more.

Go Back to Table of Contents

Upcoming Events

National Press Club:

"NEWSMAKER" U.S. Rep. Barney Frank (D-Mass.): "Report from the Front Line of Financial Reform"

DATE: Monday, July 11

TIME: 10 a.m.

ROOM: Murrow Room

U.S. Rep. Barney Frank is the ranking member of the House Financial Services Committee. Last year, he helped pass the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was designed to reduce the chance of another U.S. financial meltdown.

The battle over financial reform is more heated than ever. There have been attempts in Congress to make major cuts in the budgets of the Securities and Exchange Commission and Commodity Futures Trading Commission. The ribbon-cutting for the U.S. Consumer Financial Protection Bureau is on schedule for next month, but Senate Republicans have vowed to block confirmation of anyone to head that bureau unless changes are made to the agency's structure — including making it a five-member commission rather than headed by a single director — and having Congress control its funding.

Frank will provide a report from the congressional front line on these developments.

SEC

No public meetings as of 7/8/11

CFTC

No public meetings as of 7/8/11

Senate

Senate Banking, Housing, and Urban Affairs Committee

Enhanced Investor Protection After the Financial Crisis
Tuesday, July 12, 2011
10:00 AM - 12:00 PM
538 Dirksen Senate Office Building

The witnesses will be Mr. David Massey, President, North American Securities Administrators Association; Ms. Lynnette Hotchkiss, Executive Director, Municipal Securities Rulemaking Board; Hon. Harvey Pitt, Former Chairman, Securities and Exchange Commission; **Ms. Barbara Roper, Director of Investor Protection, Consumer Federation of America**; Ms. Anne Simpson, Senior Portfolio Manager, Global Equity, California Public Employees' Retirement System; Hon. Paul Atkins, Visiting Fellow, American Enterprise Institute for Public Policy Research; Mr. Lynn Turner, Former Chief Accountant of the U.S. Securities and Exchange Commission. All hearings are webcasted live and Individuals with disabilities who require an auxiliary aid or service, including closed captioning service for webcast hearings, should contact the committee clerk at 202-224-7391 at least three business days in advance of the hearing date.

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Senate Committee on Finance

No pertinent markups/hearings scheduled as of 7/8/11

Senate Committee on Agriculture, Nutrition, and Forestry

No pertinent markups/hearings scheduled as of 7/8/11

FIGHTING ON THE HOME FRONT: WRONGFUL FORECLOSURES AGAINST MILITARY FAMILIES
Date: Tuesday, July 12, 2011
Forum Start Time: 2:30 p.m.
Press Pre-Set Time: 1:45 p.m.
Location: Room 253, Russell Senate Office Building*

*The forum is open to the public and will also be webcast live at http://commerce.senate.gov.

List of attendees

The following individuals have been invited to the forum: Ms. Holly Petraeus, Lead, Office of Service Member Affairs, Consumer Financial Protection Bureau, Captain Samuel F. Wright, JAGC, US Navy (Ret.), Director, Service Members Law Center, Reserve Officers Association, Warrant Officer Charles L. Pickett III, Army National Guard, Homeowner, Captain Kenneth R. Gonzales, Army, Homeowner, Mr. Bill Nelson, Executive Director, USA Cares, and Mr. David Vladeck, Director, Bureau of Consumer Protection, Federal Trade Commission

House

House Committee on Financial Services

Hearings

Mortgage Origination: The Impact of Recent Changes on Homeowners and Businesses
Insurance, Housing and Community Opportunity
July 13, 2011 2:00 PM in 2128 Rayburn HOB

Oversight of the Office of Financial Research and the Financial Stability Oversight Council
Oversight and Investigations
July 14, 2011 2:00 PM in 2128 Rayburn HOB

Hearing to receive the testimony of the Honorable Ben S. Bernanke, the Chairman of the Federal Reserve Board of Governors, on monetary policy and the state of the economy.
Full Committee
July 13, 2011 10:00 AM in 2128 Rayburn HOB

House Small Business Committee

No pertinent markups/hearings scheduled as of 7/8/11

Committee on Oversight and Government Affairs

'Consumer Financial Protection Efforts: Answers Needed'
Full Committee Hearing
Full House Committee on Oversight and Government Reform Hearing
Date: Thursday, July 14, 2011
Duration: 2 Hours
Contact Info:
(202) 225-5074
URL: http://oversight.house.gov

The Full Committee hearing will take place at 9:30am on Thursday, July 14th in room 2154 of Rayburn House Office Building. The hearing will be streamed live at http://oversight.house.gov.

Elizabeth Warren is scheduled to testify

Subcommittee on TARP, Financial Services and Bailouts of Public and Private Programs

No markups scheduled as of 7/7/11

From our friends at the National Council of La Raza:

The White House has confirmed that President Barack Obama will speak at the 2011 NCLR (National Council of La Raza) Annual Conference, NCLR President and CEO Janet Murguía. The NCLR Annual Conference and National Latino Family Expo, the single largest national Latino event of the year, will be held in Washington, D.C., July 23–26, at the Washington Marriott Wardman Park Hotel. More than 25,000 participants are expected to attend the four-day event.

Also confirmed as Conference speakers are Democratic Rep. Emanuel Cleaver, II of Missouri, Chair of the Congressional Black Caucus; author, columnist, and president and editor-in-chief of the Huffington Post Media Group Arianna Huffington; renowned actress and NCLR ALMA Awards® host and executive producer Eva Longoria; and Department of Labor Secretary Hilda Solis. Republican presidential candidates also have been invited to speak. Times and dates for all speakers, including President Obama, will be released in the coming weeks.

For additional information, please visit www.nclr.org/events.

From our friends at National Consumer Law Center:

H**andling Mortgage Cases from A to Z: Training and Hands-On Workshops for Litigators at All Levels** Training Conference. It will be held at the Boston Marriott Newton on July 14-15, 2011. The conference offers two tracks: Introductory and Advanced.

REGISTER ONLINE HERE: http://www.nclc.org/conferences-training/foreclosure-training-conference.html

Where: Boston Marriott Newton, 2345 Commonwealth Ave., Newton, Massachusetts. Located at the "crossroads" of Massachusetts, the Boston Marriott Newton is situated on 22 acres of spectacular, scenic conservation land along the Charles River. Discounted kayak boat rentals available for hotel guests. Rooms are $103 single or double occupancy on a first come basis until June 21, 2011, when the rate may increase. When making a reservation over the phone, call 1-800-228-9290 or 617-969-1000 and use the code "NCLC Mortgage Conference." Or book online from the link at www.nclc.org .

Topics will include:
State and federal claims challenging the origination of mortgage loans, Advanced TILA rescission, servicing claims and deciphering payment histories, loan modification promises and problems (HAMP and non-HAMP issues), and more.
To **SAVE MONEY** be sure to take advantage of money-saving conference deadlines:

- June 3, 2011: Scholarship deadline
- June 24, 2011: Deadline for early conference registration reduced rate.
- June 21, 2011: Space permitting, hotel rooms are available at a special conference rate of $103/night

To register online and to see more information about the conference such as the agendas, hotel, and scholarships please visit: http://www.nclc.org/conferences-training/foreclosure-training-conference.html

Here is the link to the updated webpage for the next FTC auto lending roundtable: http://www.ftc.gov/bcp/workshops/motorvehicles/.

The FTC's second motor vehicle roundtable will take place at St. Mary's University School of Law, One Camino Santa Maria, San Antonio, Texas on August 2 - 3, 2011. Topics for the second roundtable may include motor vehicle sales and financing issues pertaining to military consumers, fair lending, and financial literacy. Additional information for the second roundtable will be posted on this webpage, when available.

Complied by our friends at NFHA:

September 9-10 - John Marshall Law School 2011 National Conference (Chicago, IL)

Go Back to Table of Contents