THIS WEEK IN WALL STREET REFORM

TABLE OF CONTENTS

#Occupy and Other Grassroots Activities

Occupy Wall St. protesters march around Goldman Sachs downtown
Trevor Kapp (NY Daily News)
December 12 2011

"Occupy Wall Street protesters donned squid costumes and marched to the Goldman Sachs headquarters downtown yesterday to call on the banking giant to pay more in taxes." Click here for more.

Police evict Occupy Boston protesters; 46 arrested
AP
December 11, 2011

"Police officers swept through Dewey Square early Saturday, tearing down tents at the Occupy Boston encampment and arresting dozens of protesters, bringing a peaceful end to the 10-week demonstration. Officers began moving into the encampment at about 5 a.m. to 'ensure compliance with the trespassing law,' police spokeswoman Elaine Driscoll said." Click here for more.

For more press coverage and information visit http://owsnews.org/

Go Back to Table of Contents

CFPB and Consumer Issues

Richard Cordray

Sen. Sherrod Brown says Republicans' refusal to confirm Richard Cordray to head consumer protection bureau was unprecedented
PolitiFact Ohio (Cleveland Plain Dealer)
December 12, 2011

"As a date for a vote approached, Brown, an Ohio Democrat, said several times that the Republicans' refusal was unprecedented. In a Senate Banking subcommittee hearing on Dec. 7, the day before the vote, Brown said, 'I probably know Richard Cordray better than any member of the Senate. I knew him when he was a state representative and county treasurer and state treasurer and attorney general and have continued to work with him. And there's no question of his qualification. And some time ago I asked the Senate historian has this ever happened, that a political party has blocked a nomination of someone because they didn't like the construction of the agency? And he said, no, it's never happened.' The next day, shortly before the Senate failed to get enough votes to cut off debate and confirm the nominee, Senate Majority Leader Harry Reid, Democrat of Nevada, said the same thing: 'This is the first time in Senate history a party has blocked a qualified candidate solely because they disagree with the existence of the agency that's being created by law.' This struck PolitiFact Ohio as worth checking, for the current record and as a useful piece of political trivia. …But based on the record, including its nuance, we take the Senate historian's word: Brown was correct when he said this was the first time that a political party has blocked a nomination unless changes were made to an agency. To repeat Ritchie's words: 'We searched through past cases and could not find anything that fit the current circumstance.' We rate Brown's claim True." Click here for more.

Obama Unlikely to Get Opportunity to Appoint Cordray in Recess
Laura Litvan and Carter Dougherty (Bloomberg)
December 12, 2011

"Lawmakers seeking to wrap up congressional work for the year likely will leave Washington this month without giving President Barack Obama the opportunity to make a temporary appointment of his nominee to head the new Consumer Financial Protection Bureau. After the U.S. Senate blocked the nomination of Richard Cordray to be the first director of the bureau following months of partisan acrimony, Obama said he won't 'take any options off the table' to put him in the post. While presidents have the power to make temporary, or recess, appointments without lawmakers' approval after Congress has formally adjourned, congressional aides in both parties say they don't expect Obama will get that chance. Don Stewart, a spokesman for Senate Minority Leader Mitch McConnell, said Majority Leader Harry Reid has kept the

Senate in session on a pro-forma basis during recesses throughout the year. He anticipates the Nevada Democrat will do so again at year's end." *[Click here for more.](#)*

Advocates explore constitutional options to appoint consumer agency nominee
Peter Schroeder (The Hill)
December 11, 2011

"Consumer groups are calling on President Obama to seize rarely-used powers in the Constitution to make a recess appointee out of consumer financial watchdog nominee Richard Cordray. Obama's efforts to appoint Cordray to the Consumer Financial Protection Bureau created by the Wall Street reform bill have been hampered by Republicans, who have blocked the nomination. House Republicans who have kept Congress occupied in pro forma sessions have made it all but impossible for Obama to use his recess appointment powers. But Cordray backers point out that the Constitution allows for the president to actually force the chambers to adjourn, which could open the door to a recess appointment. …Nonetheless, David Arkush, director of Public Citizen's Congress Watch division, argues Obama clearly has the authority to do just that. Public Citizen is a consumer advocacy organization that is a strong supporter of the CFPB. 'That's absolutely clear in the Constitution. I think it's incontestable,' he said. He also argues the president has another window to recess appoint Cordray. The 20th Amendment of the Constitution states that the Congress shall assemble at least once a year, with each session beginning at noon on Jan. 3. That means that, however small the window might be, the Congress would have to break from the first session of the 112th Congress to begin its second session, giving Obama an opening." *[Click here for more.](#)*

Crooks and Liars: Fox News Sunday: Mitch McConnell Admits CFPB Hostage-Taking
Karoli (Crooks and Liars)
December 12, 2011

"We all know this: Republicans and their banking overlords despise the idea of the Consumer Financial Protection Bureau. If they could tuck a legislative nuclear bomb into a bill to kill it for all eternity, they would. Barring that, they've simply decided they will do their level best to block every effort to actually implement this part of the Dodd-Frank legislation. But listen to Mitch McConnell blowing smoke about why the Senate blocked Richard Cordray here. Not only is it self-contradictory, but it's definitely revealing. The contradiction comes when McConnell claims the CFPB director is a completely unelected office, another czar*. Of course, one has to question how this is a problem when the elected officials (aka the Senate) are responsible for confirmation of Cordray to the office. Under McConnell's logic, the entire cabinet is nothing more than a bunch of unelected czars. Surely he's not advocating for election of agency heads, is he? Surely not."* *[Click here for more.](#)*

Thermonuclear Option on CFPB
Ben White (Politico's Morning Money)
December 15, 2011

"*Recent chatter in banking circles holds that the White House could decide to recess appoint Richard Cordray to head the CFPB even if House Republicans reject an attempt by Senate Democrats to officially adjourn and go on recess. Senate Majority Leader Harry Reid has kept the Senate in pro-forma session during recent breaks but he could change tactics and try to adjourn the session by sending a resolution to the House. If the GOP blocks the Senate resolution, the theory goes, the White House could make the appointment anyway and challenge the legality of the House trying to keep Congress in session. (Apologies in advance to parliamentary experts if we have butchered the finer points of this stratagem. But the basic idea is a recess appointment even if there is no official recess.) This would certainly trigger a lawsuit and the issue would work its way through the courts with Cordray presumably taking full power of the agency in the interim (barring some kind of injunction). The upside is the White House gets to play champion of the people on a larger stage while casting Republicans as nullification villains and protectors of the banking industry. Several lobbyists M.M. spoke with said they had heard such a strategy was possible but viewed it as very unlikely. 'I know all options are on the table,' said one. 'But talk about going nuclear.' The downside is admittedly very large (perhaps massive) in that it would enrage Republicans and probably spark holds on virtually every other administration nominee, not to mention setting a possibly dangerous precedent. White House spokeswoman Amy Brundage told M.M. she would 'decline to comment on speculation about any potential recess appointments.' Democratic strategists did not reject the idea entirely though several said they found it far-fetched. "I'd be surprised if the Administration purposefully instigated a Constitutional lawsuit over the Cordray appointment," said one. 'Given the poll numbers on Cordray the president would be wise to* *let the voters decide the issue for themselves in November instead of creating a procedural distraction that could end up as a net negative.'*

Graham: Consumer agency like 'something out of the Stalinist era'
Vicki Needham (The Hill)
December 11, 2011

"South Carolina GOP Sen. Lindsey Graham mocked the Consumer Financial Protection Bureau (CFPB) Sunday describing it as 'something out of the Stalinist era.' 'This consumer bureau that they want to pass is under the Federal Reserve, no appropriation oversight, no board, it is something out of the Stalinist era,' said Graham on NBC's Meet the Press. Last week, Senate Republicans blocked the nomination of Richard Cordray to head the consumer agency created under the Dodd-Frank financial reform law." ***Click here for more.***

Editorial - Senate Republicans ignore U.S. consumer financial protection again
McCatchy (first published in Seattle Post Intelligencer – WA)
December 12, 2011

"What is it Republicans in the U.S. Senate have against American consumers knocked flat by abusive mortgage companies, credit reporting agencies, payday lenders and debt collectors? Once again the GOP lined up behind their Wall Street patrons and the enemies of ordinary citizens trying to recover from the flimflams that helped bring on the Great Recession. They refused to end debate on confirmation of Richard Cordray to lead the Consumer Financial Protection Bureau, oh by the way, created by Congress. 'We're not giving up on this,' President Obama said last week. He should quit groping for a make-nice compromise and hold the Senate's self-serving obstinacy up to public scrutiny. Consumers will literally pay a price for the GOP's lucrative stubbornness." Click here for more.

AG Douglas Gansler op-ed - GOP's anti-democratic tantrum
Douglas F. Gansler (op-ed for Baltimore Sun)
December 13, 2011

"'Balanced.' 'Fair-minded.' Showing 'great personal integrity.' These are some of the terms a bipartisan group of 37 state attorneys general used to describe former Ohio Attorney General Richard Cordray, President Barack Obama's nominee for director of the Consumer Financial Protection Bureau (CFPB). Add to that list good public servant,' the phrase Ohio Republican Sen. Robert Portman used to describe him just days ago. Sounds like a radical, doesn't he? If he's not, how else do we explain last week's move by 45 members of the U.S. Senate to block his appointment to that post? After all, by blocking Mr. Cordray's appointment, that vocal minority prevented an already enacted law — the Wall Street Reform and Consumer Protection Act — from being fully carried out, essentially using 45 Senate votes to nullify legislation that passed by significant majorities in both houses of Congress (237 in the House and 60 in the Senate), representing the will of many millions of Americans. But the Senate minority's vote is not about Mr. Cordray. Rather, it seems to be an attempt to undo the legislative process and protect the financial service industry from additional oversight under the guise of a disagreement about the way the CFPB is structured." Click here for more.

Pierce - The Truth About Consumer Protection and Laws of the Land
Charles P. Pierce (Esquire)
December 12, 2011

"*Bravo to Jim Fallows at* The Atlantic *— and to Jonathan Cohn at* The New Republic *— for pointing out that the shenanigans that the Republicans in the Senate are playing concerning the Consumer Financial Protection Bureau is really nothing more than 'nullification,' the legislative equivalent of the doctrine first promulgated by John C. Calhoun, and which led, ultimately, to the Civil War….In merciful brief, Congress passed the law creating the CFPB. It did so narrowly, and that law is popular neither among the members of the Republican base nor among the plutocrats who gin them up. But* the law did pass*. You could look it up. So, now, the Republicans have decided simply to pretend that it didn't pass. They have decided to make sure that a law duly passed by Congress cannot function. They don't like it, so they are trying to will it out of existence. If they succeed, then, in the legislative process as it has in so many other areas of the government, the democratic process becomes nothing more than a dumbshow. This whole thing should surprise approximately nobody. This has been a pattern of behavior for Republicans ever since the party was well and truly radicalized by current GOP frontrunner Newt Gingrich in the 1990's. They simply do not make* *peace with the results of elections of which they disapprove. …This is more serious by an order of magnitude. The Republicans had their chance to beat back the law that created the CFPB. They had more than their chance. There were committee meetings and committee votes in both Houses. There was lengthy, free, and open debate. There was a vote on the law, and it passed by a clear majority, and the president signed it. That's the ballgame. You don't like it? Win a couple of elections and pass a law eliminating it. …The Constitution says that laws passed by Congress become the law of the land, whether Lindsey Graham likes them or not, and no matter how many bank CEOs find them inconvenient. Every single member of Congress, including the Republicans, took an oath to 'support and defend' the Constitution, and they swore they were taking that oath 'freely and without mental reservation or purpose of evasion.' (Hell, remember how cute it was when the new GOP majority in the House got up and read the Constitution out loud? It was like watching chickens play tic-tac-toe.) Every single Republican who has adopted the tactic of making impossible the administration of a law duly passed by the Congress is in clear violation of that oath. Somebody should probably take note of that. Click here for more.*

Levin - Killing America One Vote at a Time: Why the CFPB Matters
Adam Levin (Huffington Post)
December 15, 2011

"The Honorable Richard Shelby, Mitch McConnell and -- to quote Spiro Agnew – 'those nattering nabobs of negativism' (by which I mean the 43 senators who always say 'never') -- sure had their turkey shoot last week. The innocent bystander was Richard Cordray, the president's nominee for Director of the Consumer Financial Protection Bureau. The targets were Barack Obama and the CFPB itself. However, when dinner is served, consumers throughout the land will come to realize that they are the plat du jour, and ultimately only have themselves to blame. It has been said that the members of the minority party in the Senate (whose favorable ratings compare with a hat size) wouldn't confirm Ronald Reagan as Director of the CFPB unless and until its structure and funding mechanisms are amended -- which means that it will remain in a state of regulatory limbo until after the 2012 elections. You see, Congress' approval ratings may be in the toilet (it's between 11 and 13 percent depending on which poll you believe), but that doesn't seem to bother most of us. According to OpenSecrets.org, re-election rates for both the Senate and the House of Representatives were 84% in 2010. But there is a glimmer of hope. A just released Pew survey indicates that a record number of voters intend to vote incumbents out of office." Click here for more.

Arkush - President Obama's Next Moves on Leadership for the Consumer Financial Protection Bureau
David Arkush (Huffington Post)
December 14, 2011

"As expected, last week Senate Republicans blocked President Obama's nomination of Rich Cordray to lead the new Consumer Financial Protection Bureau (CFPB). They continue to hold the agency hostage, taking the unprecedented step of blocking its leadership unless the agency is first weakened. Still, there were a few small signs that the Republicans are feeling some heat over their stand against American consumers. On the eve of the vote, Ohio Senator Rob Portman said that even if the Republican filibuster held, he didn't think Cordray's nomination was dead and he wanted to work toward a compromise. And Maine Sen. Olympia Snowe surprised everyone by declining to vote at all. She cited the potential perception of a conflict of interest due to the fact that the CFPB will have jurisdiction over her husband's business. What's odd is that Sen. Snowe was actively involved in the 2010 Senate debate over creating the CFPB, and she even sponsored a successful amendment to weaken the agency. For some reason, it didn't occur to her until the eve of an uncomfortable vote that she should recuse herself from such matters. Together with Massachusetts Sen. Scott Brown's November announcement that he would support Cordray, that makes three Republican senators who have shown signs of strain. The key question is, what's next for the Cordray nomination? Will President Obama press his advantage and win the nomination, or will the effort stall? The president has two good options. One is to appoint Cordray during the next Senate recess, which means by January 3. The other is to continue holding votes on Cordray, forcing the intransigent Republicans to face increasing public pressure until they give in (or the president makes a recess appointment). Even though President Obama said after the vote that he won't 'take any options off the table,' there's little reason so far to think he's charting either of these courses. But he should." Click here for more.

John Nichols: Teddy Roosevelt would recess appoint Cordray as Wall St. watchdog
John Nichols (The Cap Times – WI)
Thursday, December 15, 2011

"President Obama borrowed sound rhetoric and ideas from Teddy Roosevelt when he spoke in Kansas last week. Now he should borrow sound practices from the 26th president as he responds to the intransigence of the senators who represent Wall Street rather than Main Street. Senate Republicans on Dec. 8 blocked confirmation of former Ohio Attorney General Richard Cordray to head the Consumer Financial Protection Bureau. No surprise there. While Cordray may lack some of the star power of Elizabeth Warren — who conceived of and developed the CFPB — he's a serious consumer advocate with the right credentials and demeanor to realize the agency's potential." Click here for more.

FL PIRG lte - Failed confirmation
Brad Ashwell, Florida PIRG (Gainesville Sun)
December 12, 2011

"Despite strong support from diverse organizations and leaders seeking to protect consumers from financial tricks and traps, the U.S. Senate failed to confirm the well-qualified nominee, Rich Cordray, to head the new Consumer Financial Protection Bureau. We commend Sen. Bill Nelson for his vote to stand up for consumers against Wall Street by voting in favor of confirming Cordray. Unfortunately, Sen. Marco Rubio voted no on Cordray. That's a vote against consumer-protection and against Florida's hard-working families trying to avoid financial tricks. Without a director, the CFPB remains a second-class regulator without full authority over either the Wall Street banks that destroyed the economy or the payday lenders seeking to pick consumer pockets. Rubio chose a vote to protect Wall Street instead of protecting hard-working consumers." This is the full letter.

FL PIRG lte - Rubio protects Wall St., instead of consumers
Brad Ashwell, Florida PIRG (FL Today)
December 12, 2011

"Last Thursday, despite strong support from diverse organizations and leaders seeking to protect consumers, the military, students and older Americans from financial tricks and traps, the Senate failed to confirm the well-qualified nominee, Rich Cordray, to head the new Consumer Financial Protection Bureau. We commend Sen. Bill Nelson, D-Orlando, for his vote to stand up for consumers against Wall Street by voting in favor of confirming Cordray. Unfortunately, Sen. Marco Rubio, R-West Miami, voted no on Cordray. That's a vote against consumer-protection and against Florida's hard-working families trying to avoid financial tricks. Without a director, the CFPB remains a second-class regulator without full authority over either the Wall Street banks that destroyed the economy or the payday lenders seeking to pick consumer pockets. Opponents make the false claim the CFPB is an unaccountable 'monster,' even though its structure, independence and funding are no different than those of other bank regulators. Opponents want it killed, not changed. Those senators, including Rubio, chose to vote to protect Wall Street instead of protecting hard-working consumers. They're now on record, and our citizens should ask them why they opposed the nation's first financial regulator with only one job, protecting consumers."This is the full letter.

Note: versions of the letter also appeared in the St. Petersburg Times, Tallahassee Democrat, and Florida Democratic Party.

CRL - Consumers' Christmas Wish: A Fully Functioning CFPB
Charlene Crowell (NNPA – Center for Responsible Lending)
December 16, 2011

"Despite the U.S. Senate's recent failure to confirm Richard Cordray as the first director of the Consumer Financial Protection Bureau (CFPB), some lawmakers are vowing to press on. In fact, some are wondering why confirming a director should be so contentious for an agency whose sole mission is to protect American consumers. This past July, the agency opened shop and began prioritizing efforts. Already, important partnerships have emerged in protections for military personnel and their families as well as older Americans. On the heels of resolving more than 70 percent of several thousand credit card complaints brought directly to the new agency's attention, complaints are now being gathered on mortgage issues – including servicing, denials for modifications and foreclosures. …It would be a wonderful holiday gift to the country for the CFPB to have a leader whose daily efforts make financial fairness a reality for all Americans.

In fact – considering the unique history of African-Americans, full and undeterred regulation of suspect lending practices would go a long way towards the fairness that has been so elusive."

Consumer Issues

Holly Petraeus hosts Financial Fitness Forum for servicemembers
Consumer Financial Protection Bureau
December 13, 2011

"On December 13 in Washington, DC Holly Petraeus, our Assistant Director for Servicemember Affairs, hosted a Financial Fitness Forum on financial readiness for servicemembers. Special Advisor to the Treasury Secretary Raj Date and Deputy Assistant Secretary of Defense for Military Community and Family Policy Robert Gordon both delivered remarks, and a panel representing the armed services' senior enlisted leaders spoke about their experiences with financial readiness.
Read more and watch video of the panel..."

The CFPB wants you to blow the whistle on lawbreakers
Kent Markus (CFPB blog post)
December 15, 2011

"Do you have information about a company that you think has violated federal consumer financial laws? Are you a current or former employee of such a company, an industry insider who knows about such a company, or even a competitor being unfairly undercut by such a company? If so, the CFPB wants to hear from you. Tipsters and whistleblowers are encouraged to send information about what they know to whistleblower@cfpb.gov." Click here for more.

Consumer protection bureau opens mortgage complaint hotline
Kenneth R. Harney (LA Times)
December 11, 2011

"Got a beef with your mortgage lender? Is your bank unresponsive when you complain that your escrow account is fouled up and making your monthly payments needlessly high? Did your loan officer switch you into a more costly home loan than you were promised? Or worse yet, did your home loan servicer ignore you when you told him you've had an unexpected drop in income and needed a modification to avoid missing payments? If any of these situations sound familiar, here's a heads-up about the newest and least-publicized source of federal help: the Consumer Financial Protection Bureau's home mortgage complaint and dispute resolution hotline. Never heard of it? That's not surprising since it went live only Dec. 1 and the bureau hasn't said much about it, preferring to ease into the potential snake pit of mortgage issues that American consumers have with their lenders rather than get overwhelmed." Click here for more.

Consumers Union Calls on Wireless Carriers to Strengthen Mobile Payment Protections for Consumers
Consumers Union press release
December 14, 2011

"Most cell phone and tablet users can purchase digital goods and charge them to their monthly bill or prepaid phone account. But they may not get the protections they need to limit their financial liability if something goes wrong with the transaction. The protections consumers receive will vary depending on their wireless carrier's policies and what's in their cell phone contract, according to a new analysis by Consumers Union."

For Families On Welfare, Few Protections From Theft And Fraud
Janell Ross (Huffington Post)
December 13, 2011

"On a fall day in October 2009, Evelyn Carpio's wallet never left her side. Yet criminals somehow managed to steal $720 from the card Carpio's family uses to obtain cash welfare assistance from California. This kind of remote financial crime -- a practice known as financial information 'skimming' -- is a real problem in the United States, according to federal officials. In 2009 alone, criminals stole $443 million though a combination of skimming, identity theft, and other types of financial crime investigated by federal officials. But for victims like Carpio, whose money was stolen from an electronic benefits transfer card (EBT) rather than a credit or debit card, getting that money back has also proved difficult. In Carpio's case, nearly two years passed

before the state returned her stolen welfare benefits. The cards have also been regarded as a fiscally-responsible decision for states. State agencies have saved millions on check mailing and printing costs and, public officials say, the cards [help to prevent fraud](). For EBT cardholders, the problem is that the public is often far more interested in welfare fraud committed by the poor than crimes perpetrated against them, advocates for low-income families say. 'What we have is a situation where cards used by the poorest people -- people for whom the loss of a couple of hundred dollars can have very, very serious consequences -- have zero protection,' said Lauren Saunders, managing attorney for the National Consumer Law Center." [Click here for more.]()

Green Dot pushing banking for the 'unbanked'
Paul Beebe (The Salt Lake Tribune – UT)
December 10, 2011

"When the Federal Reserve approved a bid last month by prepaid debit card giant Green Dot Corp. to purchase tiny Bonneville Bancorp in Provo, you could almost hear Wall Street catch its breath. The approval cleared the way for 11-year-old Green Dot to become a bank holding company, allowing it to collect deposits that will be insured by the Federal Deposit Insurance Corp. Calling the Fed's consent 'momentous,' a JP Morgan Securities analyst gushed that Green Dot 'could disrupt the payment and banking space as we know it.'" [Click here for more.]()

Huge Eurobank, rated 'Britain's worst,' now accused of gouging US consumers
Bob Sullivan (MSNBC's Red Tape)
December 9, 2011

"The accusations are as outrageous as they are plentiful: Hundreds of 'robocalls' -- in one case, 800 to a single person -- to collect auto loan debts; illegal repossession of cars from active duty military deployed overseas; late fees assessed three years after the fact and then compounded into $2,000 or $3,000 bills; harassing calls to friends, neighbors, co-workers -- even children -- on cell phones. And now, a flurry of lawsuits filed around the country, and lawyers fighting over potential clients. The defendant in the lawsuits is Europe's largest bank, Banco Santander S.A., which is preparing to make a big push into U.S. retail banking. But many Americans already have been introduced to the Spanish financial powerhouse, a first encounter that many liken to a nightmare. Santander's most visible presence in the U.S. market is the result of a buying spree begun in 2009, when the bank began purchasing billions of dollars in auto loans -- many of them subprime loans for used cars -- from Citibank, HSBC and a host of other banks." [Click here for more.]()

Terry: Robocalls bill dead, done, buried
Joseph Morton (World-Herald Bureau – NE)
December 15, 2011

"That loud 'click' was Rep. Lee Terry hanging up on his robocalls bill. 'We're driving a stake through its heart,' the Omaha Republican said Wednesday. 'Dead. Done. Buried.' The legislation would have made it easier for people to receive autodialed, pre-recorded messages on their cellphones. It was intended to help people conveniently receive information they wanted — notification of flight delays, school closings, prescription drug recalls and the like — while prohibiting unwanted calls, such as telemarketing solicitations." [Click here for more.]()

Flashback NACA - House Proposal Would Flood Consumer Cell Phones with Nuisance and Debt-Collection Phone Calls
NACA press release
September 30, 2011

"Under the guise of modernization and providing consumers with more 'information' the ACA, International – an association of debt collectors – has obtained Congressional support for a dangerous proposal that would allow debt collectors to flood cell phones with robo-calls. The bill, HR 3035 Mobile Informational Call Act of 2011, was introduced on September 22, 2011 by Congressmen Lee Terry (R-NE), Edolphus Towns (D-NY), John Shimkus (R-IL) and Jim Matheson (D-UT). If HR 3035 is enacted, every day around the country consumer cell phones will be flooded with harassing and nuisance phone calls." [Click here for more.]()

JP Morgan To Use Pew's Standardized Form For Checking Fees
David Benoit (Dow Jones Newswires)
December 15, 2011

"J.P. Morgan Chase & Co. (JPM), responding to consumer-advocate demands that transparency be increased for checking accounts, will adopt a standardized fee document created by the nonprofit Pew Health Group. The nation's biggest bank by assets and deposits is also eliminating some checking fees, it said Thursday, including one for closing new accounts--a fee that has raised eyebrows. The largest banks have faced growing calls to simplify and make transparent the fees that consumers are charged for various accounts and actions. Consumer advocates have already successfully lobbied into law changes on how credit-card lenders increase interest rates and on how banks can charge for customers overdrawing checking accounts with debit cards." Click here for more.

Bill to weaken Ohio consumer law heads to House floor: Plain Dealing
Sheryl Harris, The Plain Dealer
December 13, 2011

"While we're in the middle of one of the busiest shopping seasons of the year, the Ohio House is preparing to tear up the Consumer Sales Practices Act as a little gift to the state's auto dealers. The House Judiciary and Ethics Committee approved HB 275 late today on a 9-4 vote. The bill would insert a controversial 'right to cure' into the law, a change that would make it easier for companies that cheat consumers to wriggle out of serious consequences. HB 275 is slated for House floor vote Wednesday, where it's expected to pass. The bill is, according to co-sponsor Lynn Slaby of Copley, another product brought to you by the Ohio Auto Dealers Association. It wouldn't do away with the law wholesale. Instead it surgically removes the law's heart. HB 275 would allow a company that is sued for cheating customers to derail the suit – and the threat of enhanced damages – simply by returning the money it wrongfully took, plus a nominal amount toward the consumer's attorney's fees and court costs. Lawyers say the capped fees would not allow for a thorough investigation before a suit is filed." Click here for more.

Go Back to Table of Contents

Shadow Markets and Systemic Risk

POGO and Allies Send Letter Opposing "Grimm" Bill for Whistleblowers
POGO blog
December 13, 2011

"POGO sent a letter yesterday strongly opposing legislation that would gut protections for whistleblowers included in the Dodd-Frank Act. The bill, euphemistically named the Whistleblower Improvement Act of 2011 (H.R. 2483), is scheduled for mark-up tomorrow by a subcommittee of the House Committee on Financial Services. One couldn't be blamed for confusing H.R. 2483 with the highly-lauded Whistleblower Protection Enhancement Act of 2011 (H.R. 3289). Skimming through the headlines, they appear interchangeable—but that's not the case. According to the letter: This legislation, introduced by Representative Michael Grimm (R-NY), is an extreme approach that would silence would-be whistleblowers, endanger critical inside informants, undermine investigations, hamstring enforcement at the Securities and Exchange Commission (SEC) and Commodities Futures Trading Commission (CFTC), and provide law-breaking financial firms with an escape hatch from accountability." Click here for more.

The Dodd-Frank news you don't hear: It's moving forward
Sarah Kliff (Washington Post)
December 9, 2011

"A lot of coverage of the Dodd-Frank financial reform law focuses on what isn't happening: How the White House can't get a head for its Consumer Financial Protection Bureau through Congress in the face of Republican opposition, how the law could become more vulnerable with the retirement of one of its architects, Massachusetts Rep. Barney Frank. Just this morning, as Suzy reports, former FDIC chair Shelia Bair called for part of the law to be scrapped altogether. But, quietly, parts of the law are indeed moving forward, albeit with few headlines and little fanfare. This very morning, a new Dodd-Frank office got underway with work to reform one of the country's most complex regulatory systems: insurance regulation.

The Federal Insurance Office was created by Dodd-Frank to bring a more national voice to how we oversee insurance. Until now, a federal agency to focus on insurance regulation just didn't exist." [Click here for more.]

CFTC Moves to Rein In Futures Firms
Jacob Bunge and Andrew Ackerman (WSJ – subscription required)
December 6, 2011

"Futures firms would be subject to stiffer oversight under a raft of proposals being explored by federal regulators in the wake of the MF Global Holdings Ltd. collapse. Members of the Commodity Futures Trading Commission said Monday that they may push the firms, which process futures trades on customers' behalf, to report more frequently the amount of customer cash they hold and provide more information about their investment risks. The comments came the same day the CFTC voted unanimously to approve a rule tightening restrictions on how futures firms invest customer money." [Click here for more.]

Federal Reserve Spent Paltry Sum on Bank Bailouts—Only $29 Trillion
Rick Cohen (Non-profit Quarterly)
December 14, 2011

"In this nation's outlays for various things such as overseas wars, social safety net programs, Medicare, Medicaid, and Social Security entitlement spending, the numbers get really huge. The share of federal resources that goes to and through nonprofits is kind of paltry. During the period of bailouts for troubled sectors of the U.S. economy such as the automobile industry, Wall Street banks, and insurance companies, Nonprofit Quarterly *readers wondered aloud about how much the nonprofit sector, itself troubled due to increasing service demands combined with decreasing governmental grants and charitable giving, also deserved a share of the bailout. It might have been possible. Economist James Felkerson of the University of Missouri at Kansas City has just published a stunning finding in a working paper released by the Levy Economics Institute at Bard College, as part of The Ford Foundation's "Research and Policy Dialogue Project on Improving Governance of the Government Safety Net in Financial Crisis." Dear reader, please sit down so you don't hurt yourself if you happen to faint or have a seizure upon reading this. Felkerson calculates that the cumulative spending of the Federal Reserve Bank system to bail out the banking sector exceeded $29 trillion. Yes, trillion. That is much higher than the $7.7 trillion that Bloomberg News calculated based on information it received from a recalcitrant Fed as a result of an FOIA request plus pressure from Vermont Senator Bernie Sanders. That $29 trillion in loans, loan guarantees and asset purchases is equivalent to twice the Gross Domestic Product of the entire country. Excluding 'central bank liquidity swaps,' the top ten users or recipients of the Fed's bailout largesse were…"* [Click here for more.]

Senate Banking Committee Approves Hoenig as FDIC Vice Chairman
Carter Dougherty (Bloomberg)
December 13, 2011

"The Senate Banking Committee unanimously approved the nomination of Thomas Hoenig, the former president of the Federal Reserve Bank of Kansas City, to be the vice-chairman of the Federal Deposit Insurance Corp. The panel today also signed off unanimously on the nomination of Maurice Jones as deputy secretary of the Department of Housing and Urban Development and voted 13-9 to approve Carol Galante to be an assistant secretary at HUD. The nominations go to the full Senate for a vote." [This is the full story.]

Hedge fund group spent $1 million lobbying in 3Q
AP
December 12, 2011

"A trade group representing hedge funds spent more than $1 million in the third quarter lobbying federal officials on financial regulations, including a new rule that will expand disclosure requirements for the funds. The $1.02 million that the Managed Funds Association spent was 15 percent more than the $890,000 it spent a year earlier but slightly less than the $1.03 million it spent in this year's second quarter, according to the group's quarterly filings with the House clerk's office." [Click here for more.]

Kwak - Too Big to Stop: Why Big Banks Keep Getting Away With Breaking the Law
James Kwak (for the Atlantic)
December 14, 2011

"Move along, nothing to see here. That's been the Wall Street line on the financial crisis and the calamitous behavior that caused it, and that strategy has been spectacularly successful. Since Spring 2010, financial institutions' predatory practices have fallen off the front pages of newspapers, replaced by manufactured fears of over-regulation and -- thanks to an assist from the European continent -- an Orwellian belief that government debt lies at the root of our economic problems. Occasionally, a news event brings the need for financial reform momentarily into the partial spotlight, like last week when Judge Jed Rakoff rejected a proposed settlement between the SEC and Citigroup over a complex security called a CDO (actually, a CDO-squared) that the bank manufactured and pushed onto investor clients solely so it could bet against it. In April 2010, when the SEC sued Goldman over similar behavior, that was big-time news for weeks. But Citigroup's behavior in 'Class V Funding III' was far worse." Click here for more.

Commodity Speculation

Hunger brokers
Corporate Europe Observatory
December 8, 2011

"The Commission recently put forward a proposal to curb the lethal volatility in food prices by addressing speculation. But preparations of new legislation have been dominated by the financial lobby, and they've had an impact. Effective measures seem far away. Before taking office in early 2010, the Single Market Commissioner Michel Barnier told a cross interrogation in the European Parliament that in order to stop the 'scandalous speculation in agricultural commodities, 'we as responsible politicians have to regulate derivatives very carefully. Despite this, when the Commission presented its proposal in October 2011 for a review of the 'Markets in Financial-Instruments Directive' (MiFID) the level of ambition was significantly lower than US law, and will not, as it stands, do much to address the lethal volatility of agricultural commodity prices." Click here for more.

Investor Protection

Boomers Wearing Bull's-Eyes
Kelly Greene (WSJ – subscription required)
December 14, 2011

"Securities regulators and prosecutors are battling what they say is a nationwide surge in investment fraud against baby boomers. In many cases, the victims pursued risky bets to overcome losses suffered during the financial crisis—a trend that regulators say is worsening. State securities officials say they expect the number of enforcement actions involving investors age 50 or older to hit a record this year. Last year, there were 1,241 criminal complaints, cease-and-desist orders and other regulatory actions launched at the state level involving investors age 50 or older, according to the North American Securities Administrators Association, a group of state regulators. That was more than double the 506 cases in 2009." Click here for more.

Volcker Rule

Latest fight over 'Volcker rule' a matter of timing
Peter Schroeder (The Hill)
December 12, 2011

"The latest battleground over the controversial 'Volcker rule' has become a question not just how it should be implemented, but when. Regulators charged with putting in place the key piece of the Dodd-Frank financial reform law are being tugged in both directions on how long proposed rules cracking down on riskier trading should be open to public comment before it is finalized. In one corner, business and financial industry groups, as well as congressional Republicans, are warning that the proposal is far too complex and its impact are too far-reaching for regulators to move forward on the current schedule, which will close its public comments phase on Jan. 13. … However, advocates for tough Wall Street reform are pushing back. ***Better Markets****, a Wall Street reform group, wrote to regulators Monday telling them to resist financial industry*

pressure and keep to the current schedule. Pushing back the deadline puts the nation at risk of another "financial catastrophe" by keeping this 'key part' of Dodd-Frank unrealized. Any industry concerns about complexity of the rule should be outweighed by that threat, the group argued." [Click here for more.]

MF Global

A Romance With Risk That Brought On a Panic
Azam Ahmed, Ben Protess, and Susanne Craig (DealBook/NYT)
December 11, 2011

"Soon after taking the reins of MF Global in 2010, Jon S. Corzine visited the Wall Street firm's Chicago offices for the first time, greeting the brokers, analysts and sales staff there. One broker, Cy Monley, caught Mr. Corzine's eye. Unknown to MF Global's top management in New York, the employee, whose job was to match buyers and sellers in energy derivatives, was also trading a small account on the side, using the firm's capital. 'How are you making money on side bets? What else are you guys doing to make money here?' Mr. Corzine asked enthusiastically, his eyes widening, the broker recalled. The new chief executive grabbed a seat and spent an hour questioning Mr. Monley as other top executives from New York hovered impatiently nearby." Click here for more.

Exclusive: Regulators know where MF Global funds went
Christopher Doering (Reuters)
December 14, 2011

"Regulators now have a more complete picture of money transfers in the final days of bankrupt brokerage MF Global, but must sort out which transactions were legitimate before more money can be released to customers, a top official told Reuters on Wednesday. Jill Sommers, who is heading the Commodity Futures Trading Commission's review of MF Global, said regulators 'are far enough along the trail' that they know where the money went." Click here for more.

CME chief alleges Corzine aware of transfers
Shannon Bond and Tom Braithwaite in New York (FT – registration required)
December 14, 2011

"Jon Corzine, the former chief executive of MF Global, 'was aware' that the broker-dealer made use of customer funds during its desperate fight for survival, a US Senate hearing was told on Tuesday. Terry Duffy, chief executive of CME Group, the futures exchange operator that supervised MF Global's handling of customer money, said a CME auditor heard an MF Global employee say during a conference call involving senior MF Global employees that 'Mr Corzine was aware of the loans being made from segregated accounts'." Click here for more.

Corzine Knew Of Fund Transfer
Aaron Lucchetti and Scott Patterson (WSJ – subscription required)
December 16, 2011

"Former MF Global Holdings Ltd. Chief Executive Jon S. Corzine testified Thursday that he knew about an overseas transfer of funds that has come into focus in recent days as regulators and Congress seek to find out what became of an estimated $1.2 billion in missing customer cash. Mr. Corzine testified, however, that he received assurances that the transfer of millions of dollars to a J.P. Morgan Chase & Co. account in London on Oct. 28, the last business day before MF Global filed for bankruptcy, was approved by at least one official in MF's back office." Click here for more.

Click here to read testimony from Thursday's House Financial Services Committee hearing entitled "The Collapse of MF Global".

Click here to view/read testimony from the Tuesday's Senate Agriculture Committee hearing entitled "Investigative Hearing on the MF Global Bankruptcy", witnesses include Hon. Jon S. Corzine and Hon. Jill Sommers (this was a three panel hearing).

Kelleher - SEC Litigates With Judge, Lets Wall Street off the Hook
Dennis M. Kelleher (Huffington Post for Better Markets, Inc.)
December 16, 2011

"Last month, New York Federal District Judge Jed Rakoff rejected a sweetheart settlement that the SEC proposed with Citigroup, finding it deficient in many ways and calling the fine nothing more than 'pocket change.' In fact, the settlement was so weak it actually rewarded securities fraud and showed crime pays. But, the rejection was still huge news because judges just don't say 'no' to the SEC. Almost always, the SEC files papers in a court to settle a case and the judge always just signs them. It is rare for a judge to even ask a question before signing. Judge Rakoff is different. He takes his job as a judge seriously. He carefully reads the court filings and he asks questions to determine, as judges are supposed to, whether or not a proposed settlement is fair, adequate, reasonable and in the public interest. The SEC doesn't like this. It expects judges to pull out their rubber stamp of approval and apply it quickly, without having the nerve to question them." Click here for more.

International

Euro Zone Deal Runs Into Second Thoughts
Steven Erlanger and Nicholas Kulish (NYT)
December 14, 2011

"The deal reached at the emergency European summit meeting in Brussels last Friday was supposed to cement a consensus for better fiscal discipline and reassure the financial markets about the European Union's resolve. By Wednesday, it was clearly not convincing investors. The market bid the value of the euro down below $1.30 for the first time since January, and pushed the interest rates the Italian government must pay on new bond issues up again, apparently unconvinced that a little more austerity and a little more bailout money would save the euro." Click here for more.

IMF chief warns over 1930s-style threats
Hugh Carnegy in Paris, George Parker in London and Peter Spiegel in Brussels (FT – registration required)
December 15, 2011

"The managing director of the International Monetary Fund has warned that the global economy faces the prospect of 'economic retraction, rising protectionism, isolation and . . . what happened in the 30s [Depression]', as European tensions again flared over suggestions in Paris that the UK's credit rating should be downgraded before France's." Click here for more.

Euro Crisis Pits Germany and U.S. in Tactical Fight
Nicholas Kulish (NYT)
December 10, 2011

*"Even as European leaders put together their latest response to **the euro** crisis last week, a German-American clash over how best to manage a vast financial crisis and put the world economy back on a sound footing was set in stark relief. Chancellor Angela Merkel of Germany defied skeptics and laid the groundwork for a deeper union that she said rights the mistakes of the euro's birth and puts integration on a stable path for the long term. In the process, she forced German fiscal discipline on Europe as the prescription for the ills that afflict the region. Yet even as the cogs of the European agreement were being fitted into place, President Obama issued his sharpest warning yet about the German-led solution. He said the focus on long-term political and economic change was well and good, but emphasized that failure to react quickly and strongly enough to market forces threatened the euro's survival in the coming months." Click here for more.*

H.K. Tops U.S., U.K. in Financial Market Growth
Sanat Vallikappen (Reuters)
December 14, 2011

"Hong Kong topped the World Economic Forum's 2011 index of financial market development, supplanting the U.S. and U.K. from the highest rankings for the first time. The U.S. and U.K. each dropped one place from last year to rank second and third respectively in the forum's fourth annual Financial Development Report published yesterday. Hong Kong jumped from fourth, making it the first Asian financial center to lead the 60-country index, helped by non-banking services such as initial public offerings and insurance, it said.

Fallout from the 2008 global financial crisis continues to hamper companies' ability to access capital, weighing on economic growth, the WEF said." [Click here for more.]

John Paulson - Europe needs a firewall to stabilise markets
John Paulson (op-ed for Financial Times – registration required)
December 14, 2011

"The European sovereign credit markets are in a danger zone. Italy and Spain need to borrow a combined €590bn in 2012, their yields remain above sustainable levels, and the European Central Bank's efforts at buying debt in the secondary markets have so far been ineffective in holding yields down. Drawing on our experience restructuring companies along with lessons learned in the US following the bankruptcy of Lehman Brothers, we suggest the ECB consider a sovereign debt guarantee programme as a solution to the European sovereign debt crisis. Such a scheme would be similar to the successful Temporary Liquidity Guarantee Program adopted by the US's Federal Deposit Insurance Corp to stem the financial crisis after the failure of Lehman by enabling financial institutions to refinance their maturing debt and avoid a default. … The writer is president of Paulson & Co, the investment management firm." [Click here for more.]

Go Back to Table of Contents

Foreclosures and Housing

What went wrong with mortgage aid?
Julie Schmit (USA Today)
December 12, 2011

*"Steven and Lisa Maultsby lost their Mississippi home to foreclosure this year. At the time, they thought they were being reviewed for a loan modification through the U.S. government's foreclosure-prevention program. A Realtor knocking on their door to tell them to vacate told them otherwise. 'I'm bitter,' says Steven Maultsby, 51, who works with undersea robots in the oil industry. 'We did everything they told us to do.' The Maultsbys are angry not only at their mortgage company, but also at the government, and they're two voices among a discontented chorus. The Obama administration's initial foreclosure-prevention programs, launched in early 2009, were intended to help 7 million to 9 million people. So far, they've aided about 2 million , and not all of those are out of foreclosure danger. …'Every program has fallen far short of goals. I can't think of one that's been largely successful,' says **John Dodds**, director of the **Philadelphia Unemployment Project**, a non-profit that's been involved in foreclosure prevention for decades. …That 'is an absolute disgrace,' says **Ira Rheingold**, executive director of the **National Association of Consumer Advocates**."* [Click here for more.]

Ex-WaMu Officers Said to Pay $400,000 of $64 Million Settlement
Carter Dougherty and Dakin Campbell (Bloomberg)
December 14, 2011

"Three former executives of Washington Mutual Inc. will together pay $400,000 out of pocket as part of a $64 million settlement with the Federal Deposit Insurance Corp. over the largest U.S. bank failure, according to a person briefed on the matter. The FDIC earlier sought $900 million from chief executive officer Kerry Killinger, chief operating officer Stephen Rotella and top lending officer David Schneider. The executives led the bank on a lending spree against the advice of internal risk managers while 'knowing that the real estate market was in a 'bubble' that could not support such a risky strategy over the long term,' according to the lawsuit the agency filed in March in U.S. District Court in Seattle. Under the settlement, the $64 million will consist of the payments by the three executives and a payout from the failed bank's insurance policy. In addition, the executives will drop claims to millions of dollars of Washington Mutual's remaining assets, according to two senior FDIC officials, who spoke yesterday on condition of anonymity because the settlement hasn't been made public." [Click here for more.]

Congress still dark on housing finance future
Jon Prior (Housing Wire)
December 14, 2011

"Nearly 10 months since the Treasury Department provided three options for a future housing finance system, Congress is still no closer to any reform. A House subcommittee debated a proposal Wednesday

*from its chair, Rep. Scott Garrett, R-N.J., that directs the Federal Housing Finance Agency to set rules and regulations on a completely private mortgage securitization system. …Rep. Brad Miller, D-N.C., and Rep. Carolyn Maloney, D-N.Y., tried an amendment to the Garrett proposal that would cut language repealing the risk-retention rule. It was rejected. …Rep. Miller tried another amendment to allow the **Consumer Financial Protection Bureau** to work with the FHFA on future mortgage servicing rules. Garrett and subcommittee Republicans quickly rejected it. …There are currently five proposals in both the House and Senate that would assemble a future housing finance system and replace the GSEs at the same time. There is one from Reps. Gary Peters, D-Mich., and John Campbell, R-Calif. Another came from Reps. Maloney and Brad Miller, R-Calif. The third from the House came from Rep. Jeb Hensarling, R-Texas. Two more came from the Senate, including a recent one from Sen. Johnny Isakson, R-Ga. and a previous one from Sen. Bob Corker, R-Tenn. But so far, not one, including Garrett's, has made it out of subcommittee since the Treasury white paper was released in February." Click here for more.*

OCC Says Independent Consultants Can't Contact Borrowers
Brian Collins (National Mortgage News - subscription required)
December 14, 2011

"The independent consultants hired by bank servicers to review and assess the claims of millions of borrowers who may have been harmed in the foreclosure process will not be able to contact these borrowers directly or even talk with housing counselors, according to testimony at a Senate Banking subcommittee on Tuesday. The consultants will be operating in a 'vacuum,' and without access to the actual borrowers, said Alys Cohen of the National Consumer Law Review. Promontory Financial Group managing director Konrad Alt told subcommittee chairman Robert Menendez, D-N.J., that his foreclosure review teams must ask the servicer to contact the borrower if they need additional information about a claim. Sen. Menendez noted that the claim forms are in narrative form and consumers are unlikely to provide all the necessary information to back up their claims. It would be 'very difficult to judge their claims without additional information,' he said." Click here for more.

Borrowers may give up future claims in foreclosure reviews
Jon Prior (HousingWire)
December 13, 2011

*"A mortgage servicer may be granted a waiver from future claims depending on what sort of remediation a borrower gets from the foreclosure reviews conducted under federal consent orders. Independent consultants, approved by the **Office of the Comptroller of the Currency** and the **Federal Reserve**, will review nearly 4.5 million foreclosure files over the next several months. They will be looking for any harm caused by improper practices uncovered last year. The OCC, Federal Reserve and the 14 largest servicers are working out how to pay for any borrower claims for which consultants find the banks culpable. OCC Chief Counsel Julie Williams faced down skeptical lawmakers in a Senate subcommittee hearing Tuesday, pledging the consultants were independent and that the reviews would be thorough." Click here for more.*

Senate Dems Hammer OCC Over Foreclosure Reviews
Kevin Wack (American Banker - subscription required)
December 13, 2011

"Lawmakers raised sharp questions Tuesday about the ties between the 14 largest mortgage servicers and the purportedly independent consultants that were hired to review their practices, putting a top bank regulatory official on the defensive. Julie Williams, the Office of the Comptroller of the Currency's deputy comptroller and chief counsel, told the Senate housing subcommittee that her agency is seeking to ensure proper compensation for homeowners who were harmed in 2009 and 2010 by pervasive errors in the mortgage servicing process. 'Our goals are clear: fix what was broken; identify borrowers who were financially harmed; provide compensation for that injury; and make sure this does not happen again,' Williams said." But she faced nearly an hour of skeptical questioning from three Senate Democrats, who raised a serious of issues designed to cast doubt on the fairness of the OCC's process to homeowners." Click here for more.

Banks Press CFPB in Talks
Nick Timiraos, Ruth Simon and Dan Fitzpatrick (WSJ – subscription required)
December 14, 2011

"Banks are demanding that the Consumer Financial Protection Bureau relinquish the right to sue over certain flawed mortgage originations, in exchange for their participation in a proposed multibillion-dollar settlement of alleged foreclosure abuses. The banks say their inability to secure a sufficiently broad release from the new bureau, which was sidelined in earlier discussions as it launched, would be a deal breaker. The five biggest U.S. mortgage banks, state attorneys general and Obama administration officials are pushing to finalize a deal before the end of the year that would be worth $19 billion or more. …At a Senate hearing on Tuesday, the National Consumer Law Center, a consumer advocacy group, urged lawmakers to move the entire regulatory review for the foreclosure remediation process to the CFPB." Click here for more.

Click here to view/read testimony from Senate subcommittee on Housing, Transportation, and Community Development hearing entitled "Helping Homeowners Harmed by Foreclosures: Ensuring Accountability and Transparency in Appeals", witnesses include Honorable Julie Williams, First Senior Deputy Comptroller and General Counsel at the Office of the Comptroller of the Currency and **Ms. Alys Cohen with National Consumer Law Center, who also testified on behalf of AFR and many members.**

Senate Panel Raises Alarm at FHFA Oversight
Donna Borak (American Banker – subscription required)
December 13, 2011

"Members of the Senate Banking Committee voiced significant concerns Tuesday in how the agency in charge of overseeing Fannie Mae and Freddie Mac has been lagging behind in critical areas identified by a government watchdog. Testifying before the panel, Steve Linick, the Federal Housing Finance Agency's Inspector General, detailed a number of deficiencies identified in the FHFA's operations, showing how the agency overly relied on decisions made by Fannie and Freddie. …During the hearing, Chairman Tim Johnson, D-S.D. expressed dismay over the number of negative trends highlighted in the IG's recent semi-annual report to Congress detailing its oversight of Fannie and Freddie." Click here for more.

Click here to view/read testimony from a Senate Banking committee hearing entitled "Oversight of FHFA Part II," the witnesses was The Honorable Steve Linick, Inspector General, Federal Housing Finance Agency.

Freddie Mac Mandates Servicer Participation in State Mortgage Programs
Carrie Bay (DSNews.com)
December 14, 2011

"Freddie Mac has notified servicers that they are required to take part in mortgage assistance programs offered by state Housing Finance Agencies (HFAs) in connection with the federal government's Hardest Hit Fund initiative. '[E]ffective immediately, you must begin accepting modification assistance program funds from participating HFAs on behalf of eligible borrowers with Freddie Mac-owned or guaranteed mortgages,' the McLean, Virginia-based GSE wrote in a bulletin update sent to its mortgage servicers on Tuesday." Click here for more.

GSE Execs Say Defined Foreclosure Timelines Are Necessary
Carrie Bay (DSNews.com)
December 9, 2011

"Representatives from both Fannie Mae and Freddie Mac upheld the companies' practice of assessing penalties against servicers who fail to meet defined timelines for processing foreclosures. Speaking to mortgage professionals at the Five Star MPact Conference in Dallas, Steve Clinton, Freddie Mac's SVP of single-family operations, said "clearly the better outcome for both Fannie and Freddie is to keep the borrower in the home" with a loan modification offered early in the default process. But as Edward Seiler, a director in Fannie Mae's National Servicing Organization, acknowledged, sometimes servicers are faced with a difficult decision – sometimes 'a borrower just shouldn't be in that home,' Seiler said. In such a situation, it's critical that servicers complete the foreclosure process in a timely manner to clear bad loans from the pipeline and limit losses for the GSEs and taxpayers, according to the companies' execs." Click here for more.

Management gurus claim they were blindsided by toxic culture at Countrywide
Michael Hudson (iWatchnews.org)
December 13, 2011

"On her first day at Countrywide Financial Corp., Cynder Niemela gave a talk to a gathering of her new colleagues. Every company, she said, has its own culture. Each is a tribe with its own rituals and myths. Niemela, a management guru who'd worked for Boeing and other big employers, told the group of executives that research showed it took 16 months for a worker to become fully part of a corporate 'tribe.' That time would allow her, she added, to offer a fresh perspective on how things were done at Countrywide. Afterwards, she recalls, one of her new colleagues introduced himself and, with a knowing smile, said, 'I can't wait to see if you're here 16 months from now.' She lasted 16 months, but not much longer." Click here for more.

Stoller op-ed - Treat foreclosure as a crime scene
Matt Stoller (op-ed for Politico)
December 15, 2011

"Bubbling under the surface of politics is the foreclosure crisis — where the power of big finance is brushing up against the rule of law. The party leaders seem to have decided it is essentially a giant — but unavoidable — tragedy. GOP presidential candidate Mitt Romney said foreclosures have to clear for the housing market to reset. The Obama administration, meanwhile, has spent only about $2 billion of the $75 billion authorized for the Home Affordable Modification Program. But the foreclosure crisis is not only a few million personal tragedies. It is a few million crime scenes. …Matt Stoller worked on the Dodd-Frank financial reform law and Federal Reserve transparency issues as a staffer for Rep. Alan Grayson (D-Fla.). He is now a fellow at the Roosevelt Institute." *Click here for more.*

Go Back to Table of Contents

Executive Compensation

AFR and AFL-CIO Executive Comp conference

AFL-CIO - Did Obscene Executive Pay Spark the Financial Crisis?
Adele Stan (AFL CIO blog)
December 13, 2011

"You've heard all the reasons given for the economic implosion of 2008: the bursting of the housing bubble, the risky investments of financial firms, the use of incomprehensible financial instruments as get-rich-quick-schemes—all of them the result of a massive agenda of across-the-board deregulation pushed by Republican lawmakers since the 1980s. But at the root of the behavior that led to the 2008 market crash that nearly took down the economy, according to experts who spoke yesterday at a conference at the AFL-CIO in Washington, D.C., is the soaring level of executive pay at the nation's giant corporations—a system of salary, stock options and bonuses that is not tied to a company's long-term performance, but rather to the short-term profits that stand to enrich CEOs via the options and bonuses. Consequently, explained AFL-CIO President Richard Trumka at yesterday's conference [1], 'Executive Pay and the Dodd-Frank Act,' excessive executive pay led to excessive risk-taking by CEOs and other top officials in corporations and financial institutions." Click here for more.

H-P to Limit Severance Payouts for Ousted Executives
Joann S. Lublin and Ben Worthen (WSJ – subscription required)
December 14, 2011

"Hewlett-Packard Co., still smarting from criticism over the exit packages it awarded to ousted chief executives Mark Hurd and Leo Apotheker, will limit severance payments it makes to senior executives who are pushed out. The revised severance policy, disclosed in the technology giant's annual report filed Wednesday with the Securities and Exchange Commission, means any executive officer terminated without cause will have to leave behind restricted shares or options that aren't vested at the time they leave the company. …The AFL-CIO submitted a resolution for a shareholder vote at H-P's 2012 annual meeting calling for an end to accelerated equity awards for terminated senior executives or after a takeover, arguing they

*could reward poor performance. 'H-P has responded to shareholder concerns regarding the outrageous severance packages received by its former CEOs,' said **Brandon Rees**, deputy director of the **AFL-CIO's Office of Investment**. The labor federation now will drop its resolution, Mr. Rees said."* [*Click here for more.*]

Revealed: huge increase in executive pay for America's top bosses
Dominic Rushe in New York (The Guardian
December 14, 2011

"Chief executive pay has roared back after two years of stagnation and decline. America's top bosses enjoyed pay hikes of between 27 and 40% last year, according to the largest survey of US CEO pay. The dramatic bounceback comes as the latest government figures show wages for the majority of Americans are failing to keep up with inflation. America's highest paid executive took home more than $145.2m, and as stock prices recovered across the board, the median value of bosses' profits on stock options rose 70% in 2010, from $950,400 to $1.3m. The news comes against the backdrop of an Occupy Wall Street movement that has focused Washington's attention on the pay packages of America's highest paid. "Click here for more.

U.S. CEO Pay Jumps Minimum Of 27 Percent Last Year, Survey Finds
Huffington Post
December 14, 3022

"While the incomes of so many Americans remain the same size or get smaller, corporate chiefs can't say they're suffering in quite the same way. American CEOs saw pay increases of between 27 and 40 percent last year, according to a GovernanceMetrics International survey cited by the Guardian. In addition, the median value of CEOs profits on stock options jumped to $1.3 million from $950,400." Click here for more.

Go Back to Table of Contents

Student Lending

Cummings Turns Up Heat on For-Profit Colleges
Politico Huddle
December 13, 2011

"Huddle got the scoop on Monday that Rep. Elijah Cummings, the top Democrat on the House Oversight and Government Reform Committee, was launching a probe into executive compensation at for-profit colleges. His office sends over highlights from his speech at the Americans for Financial Reform Conference on Monday: 'When compared to public and non-profit schools, profit companies spend a smaller percentage of their funds on student education, reserving more for marketing, advertising, recruitment and other non-education expenses,' Cummings said. 'They're student success rates are lower, and their students are more likely to default on loans, but their CEOs consistently make much more than their counterparts at public and non-profit schools.' http://youtu.be/gRxv09Uy5Kg. On Main St. vs. Wall St.: http://youtu.be/YRMb7LrKEKI."

With Lobbying Blitz, For-Profit Colleges Diluted New Rules
Eric Lichtblau (NYT)
December 9, 2011

"Last year, the Obama administration vowed to stop for-profit colleges from luring students with false promises. In an opening volley that shook the $30 billion industry, officials proposed new restrictions to cut off the huge flow of federal aid to unfit programs. But after a ferocious response that administration officials called one of the most intense they had seen, the Education Department produced a much-weakened final plan that almost certainly will have far less impact as it goes into effect next year. The story of how the for-profit colleges survived the threat of a major federal crackdown offers a case study in Washington power brokering. Rattled by the administration's tough talk, the colleges spent more than $16 million on an all-star list of prominent figures, particularly Democrats with close ties to the White House, to plot strategy, mend their battered image and plead their case." Click here for more.

Go Back to Table of Contents

FTT

CBO: Transaction tax could hurt U.S. financial industry
Bernie Becker (The Hill)
December 12, 2011

*"A proposed tax on financial transactions could decrease employment in the short-term and hurt America's standing as a global financial power, according to a new **study** from the Congressional Budget Office. Democrats in both chambers have proposed taxing certain financial transactions at .03 percent per trade, something they say could curtail some of the more speculative and high-speed trading on Wall Street. Given that Republicans controlled the House, the Democrats backing the transaction tax sponsored by Rep. Peter DeFazio (D-Ore.) and Sen. Tom Harkin (D-Iowa) acknowledged that their proposal faced steep odds." Click here for more.*

CBO Deals (Slight) Blow to Financial Transaction Tax
John Carney (CNBC.com)
December 13, 2011

"Although the banks and Republicans are cheering the non-partisan Congressional Budget Office study of the financial transaction tax, it doesn't really seem to do much to bolster their case. The analysis released last night comes in a form of a letter to Senator Orin Hatch, who had asked the CBO to analyze a new tax on financial transactions proposed by Senator Tom Harkin, a Democrat from Iowa, and Congressman Peter DeFazio, a Democrat from Oregon. The letter warns that if the US were to adopt a financial transaction tax, many transactions might move overseas. "Because of economies of scale in trading markets, as foreign holders of U.S. securities moved their transactions abroad, more of the market could go with them, which could diminish the importance of the United States as a major global financial market," writes CBO director Douglas Elmendorf." Click here for more.

Catholics United - Boehner doesn't take bull from protesters
Hamil R. Harris (WP)
December 15, 2011

"The U.S. Capitol Police stopped a small group of marchers from faith-based groups in the Occupy D.C. movement from taking a cardboard golden calf inside the Longworth House Office Building on Thursday, but there were no arrests. 'We believe that Congress should consider taxing Wall Street banks and legal hedge funds if they are asking the American public to make historic cuts in Medicare and Medicaid,' said James Salt, executive director of Catholics United." Click here for more.

Baker - The Impact of a Financial Speculation Tax on GDP: Problems with the European Commission Model
Dean Baker (CEPR)
December 14, 2011

"While interest in a financial speculation tax, also known as a financial transaction tax (FTT), is picking up in the United States, the European Union is getting close to actually approving a tax. As part of this process, the European Commission (EC) had its staff put together a model that would project its impact on investment and growth. This model, which the staff admits is very much a work in progress, projected that in the long-run the tax would lead to a 1.76 percent decline in output. Opponents of the tax were quick to seize on this projection as a basis for opposing the tax." Click here for more.

Go Back to Table of Contents

Interchange

Keating - The Durbin debit card dupe
Frank Keating (op-ed for Chicago Sun Times)
December 10, 2011

"Sen. Richard Durbin's crusade against U.S. banks has blinded him to an undeniable reality: His price-fixing schemes have hurt the very consumers whose interests he claims to protect. Contrary to his statements in the media and on the Senate floor, consumers have not received a single benefit from his so-called 'Durbin Amendment,' which cut in half the price retailers pay to process debit card transactions. Our nation's big-box retailers, however, have fared quite well, receiving a $7 billion windfall in profits annually from Durbin's actions. Meanwhile, banks have been hit with a 45 percent reduction in the revenue they depended on to provide low-cost accounts, fight fraud and maintain the U.S. payments system." Click here for more.

Go Back to Table of Contents

Credit Ratings Agencies

Credit ratings agency Fitch downgrades Barclays, Bank of America and Goldman Sachs
Daily Mail (UK)
December 16, 2011

"Fitch has slashed the credit ratings for a handful of major banks in the U.S. and Europe, sparking fears over the outlook for the world economy. The mass downgrade heightened concerns of a new credit crunch as the global banking system struggles with massive levels of debt. The ratings firm said it lowered the ratings for Bank of America, Barclays, BNP Paribas, Credit Suisse, Deutsche Bank, Goldman Sachs Group, Morgan Stanley and Societe Generale." Click here for more.

Ratings agencies Moody's, S&P's and Fitch wary of EU summit impact on debt
Economic Times
December 13, 2011

"Three major ratings agencies said Monday that last week's EU summit was not enough to ease pressure on eurozone sovereign debt since no decisive initiatives were adopted, and warned to review the region's credit. 'The communique issued by European policy-makers after the recent euro area summit offers few new measures and, therefore, does not change our analysis of the rising threat to the cohesion of the euro area and the further shocks to which it and the wider EU remain prone,' Moody's Investors Service said in a release." Click here for more.

Attacks on Regulations and Pushback

Coalition for Sensible Safeguards NYT LTE - When Business Is Regulated, and Isn't
New York Times letter-to-the-editor
December 13, 2011

"To the Editor: Re "The Wonky Liberal" (column, Dec. 6): David Brooks does an excellent job of debunking the big business hysteria over regulations. But the big business story is even more upside down than he reports. First, as Mr. Brooks notes, regulation did not cause the jobs crisis. But it's also true that it was precisely deregulation and regulatory failure — the failure of financial regulators to control Wall Street and big banks' reckless speculation and other activities — that led to the financial collapse that plunged the nation and the world into recession. Second, while Mr. Brooks is right to note the relative modest cost of regulations, he doesn't note the benefit of those regulations. The Obama administration estimates that major regulations issued from 2000 to 2010 will have monetized benefits at least twice as large as costs, and up to 15 times greater. The George W. Bush administration reached very similar conclusions for rules issued between 1997 and 2007. ROBERT WEISSMAN and KATHERINE McFATE…The writers are co-chairmen of the Coalition for Sensible Safeguards and the presidents of Public Citizen and OMB Watch, respectively." Click here for more.

Center for Progressive Reform NYT LTE - When Business Is Regulated, and Isn't
New York Times letter-to-the-editor
December 13, 2011

"To the Editor: David Brooks is right that weakening regulations would not produce an economic rebound. But by not mentioning the benefits of environmental and health and safety regulations, he misses a more important point. Agencies issue regulations under laws written by Congress to protect people from harm. When the White House trumps agency expertise with raw political decisions and weakens rules, bad consequences ensue. Whatever the politics of President Obama's decision on ozone regulation, thousands of Americans will pay with their lives, according to the best available research. And kids and parents will miss hundreds of thousands of school and work days because of illness. Mr. Brooks portrays the White House's Office of Information and Regulatory Affairs as a bureau of apolitical technocrats, but its history — under this administration and previous ones — shows that it nearly always weakens regulations at the behest of industry lobbyists. RENA STEINZOR…The writer is president of the Center for Progressive Reform and a professor at the University of Maryland Carey School of Law." Click here for more.

Go Back to Table of Contents

Other

Reich - Wall Street is its own worst enemy
Robert Reich (Guest blogger- Christian Science Monitor)
December 11, 2011

"Wall Street is its own worst enemy. It should have welcomed new financial regulation as a means of restoring public trust. Instead, it's busily shredding new regulations and making the public more distrustful than ever. The Street's biggest lobbying groups have just filed a lawsuit against the Commodities Futures Trading Commission, seeking to overturn its new rule limiting speculative trading. For years Wall Street has speculated like mad in futures markets – food, oil, other commodities – causing prices to fluctuate wildly. The Street makes bundles from these gyrations, but they have raised costs for consumers." Click here for more.

Bill banning insider trading advances in Senate over GOP opposition
Peter Schroeder (The Hill)
December 14, 2011

"A Senate committee easily cleared legislation explicitly prohibiting members from profiting by trading on inside information, despite objections from some GOP lawmakers who called it unnecessary and politically motivated. The Senate Homeland Security and Governmental Affairs Committee advanced the bill by a vote of 7-2 Tuesday. GOP Sens. Tom Coburn (Okla.) and Ron Johnson (Wis.) dissented, calling the bill unnecessary and rife with potential unintended consequences. Sen. John McCain (R-Ariz.) also opposed the bill, but was absent from the vote." Click here for more.

Fed Sees Economy Gaining But Vulnerable to Big Risks
Luca Di Leo and Jon Hilsenrath (WSJ – subscription required)
December 14, 2011

"Federal Reserve officials left their policy options open for 2012 but took no actions Tuesday and offered an economic assessment that was guardedly more upbeat but still marked by risks. Nine out of 10 Fed officials voted to keep the U.S. central bank's easy-credit policies unchanged for the second meeting in a row in what was the last Federal Open Market Committee gathering of the year. It took place on Fed Chairman Ben Bernanke's 58th birthday. Officials reiterated that short-term interest rates are likely to stay close to zero until mid-2013 at least. They said indicators pointed to some improvement in the U.S. jobs market." Click here for more.

Pew - Frustration with Congress Could Hurt Republican Incumbents
Pew Research Center
December 15, 2011

"Public discontent with Congress has reached record levels, and the implications for incumbents in next year's elections could be stark. Two-in-three voters say most members of Congress should be voted out of office in 2012 – the highest on record. And the number who say their own member should be replaced matches the all-time high recorded in 2010, when fully 58 members of Congress lost reelection bids – the most in any election since 1948. The Republican Party is taking more of the blame than the Democrats for a do-nothing Congress. A record-high 50% say that the current Congress has accomplished less than other recent Congresses, and by nearly two-to-one (40% to 23%) more blame Republican leaders than Democratic leaders for this. By wide margins, the GOP is seen as the party that is more extreme in its positions, less willing to work with the other side to get things done, and less honest and ethical in the way it governs. And for the first time in over two years, the Democratic Party has gained the edge as the party better able to manage the federal government. To be sure, neither party's leadership is viewed positively right now. Just 31% approve of how Democratic congressional leaders have performed. …Nearly three months after protests began in New York and later expanded to cities around the country, 44% support the Occupy Wall Street movement and 35% oppose it. Americans are much more likely to agree with the concerns raised by the movement than to approve of its tactics. By 48% to 30%, more Americans agree than disagree with the concerns the protests have highlighted. However, by a nearly identical margin (49% to 29%), more disapprove of the way the Occupy Wall Street protests are being conducted. Even those who say they agree with the concerns raised by the movement are somewhat divided over its tactics: 50% approve, while 40% disapprove. The public is overwhelmingly critical of the fairness of the economic system. Most (77%) agree that there is too much power in the hands of a few rich people and corporations. And while a majority of Americans (58%) still say that "most people who want to get ahead can make it if they are willing to work hard," this is lower than at any point since the question was first asked in 1994." Click here for more.

Morgan Stanley to Cut 1,600 Jobs
Brett Philbin, Matthias Rieker and David Benoit (WSJ – subscription required)
December 16, 2011

"Morgan Stanley joined the legions of financial firms beating a retreat amid tumultuous markets and economic uncertainty, setting plans to cut 1,600 jobs. The cuts, announced Thursday, amount to 2.6% of the New York securities firm's work force and represent an about-face after a postcrisis hiring push. Morgan Stanley made 400 hires starting in late 2009 in a bid to bolster its trading business, which at the time was a source of big profits for financial firms. … Facing sagging revenue and tightening regulatory requirements, banks have been cutting back. This year, 24 financial firms around the globe have cut or announced plans to cut 103,000 jobs, according to an analysis by The Wall Street Journal." Click here for more.

Go Back to Table of Contents

Upcoming Events

SEC

No pertinent meetings scheduled as of 12/16/11

CFTC

The Commodity Futures Trading Commission (CFTC) will hold a public meeting on Tuesday, December 20, 2011, at 9:30 a.m., on the following topics: (1) Final Rule on Real-Time Reporting of Swap Transaction Data; (2) Final Rule on Swap Data Recordkeeping and Reporting Requirements; and (3) Final Rule on Effective Date for Swap Regulation.

The Meeting is open to the public.

What: Open meeting to consider three final rules under the Dodd-Frank Act
Location: CFTC Headquarters Conference Center, Three Lafayette Centre, 1155 21st Street, NW, Washington, DC 20581
Date: December 20, 2011
Time: 9:30 a.m.

Viewing/Listening Information: The CFTC has made available the following options to access the meeting:

1. Watch a live broadcast of the meeting via webcast on www.cftc.gov. 2. Call in to a toll-free telephone line to connect to a live audio feed. Call in participants should be prepared to provide their first name, last name and affiliation. Conference call information is listed below:

Domestic Toll Free: 1-866-844-9416
International Toll: Under Related Documents

Call leader name: Frank Rosen - Pass Code/Pin Code: 5478

Capitol Hill

The U.S. House of Representatives is out until January 16, 2012 and the United States Senate is out until January 23, 2012 – pro forma session likely.