AMERICANS FOR FINANCIAL REFORM

THIS WEEK IN WALL STREET REFORM
November 16-22, 2013

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SENATE RULES CHANGE

The Filibuster Move Is Great News for Obama's Financial Reform Agenda
(Neil Irwin, Washington Post, 11/22/13)
"The decision by Harry Reid and Senate Democrats to eliminate the filibuster for non-Supreme Court appointments on Thursday will have long-lasting, far-reaching consequences. But here is one of the most immediate: It will be much easier for President Obama to pursue an economic and financial regulation agenda in the remainder of his term than it would have been otherwise.

"This won't mean any major changes to fiscal policy or new legislation: Reid excluded legislation from the filibuster elimination, and in terms of passing laws, the big hangup is House Republican majority, not the Senate Republican minority. But much of the work of carrying out the president's agenda for reforming the financial system is carried out by unelected appointees anyway. And the elimination of the filibuster on those appointees will make carrying out that agenda a lot easier. Let's count the ways."

Obama Has New Freedom on Financial Nominees (paywalled)
Jon White and Kate Davidson, Politico Pro, 11/21/13)
"The Senate's decision on Thursday to end the filibuster of presidential nominees will give President Barack Obama a new found freedom to fill key financial and regulatory posts — a major change that will allow the president to select candidates with a more aggressive approach to overseeing the financial industry and implementing new policies… Rep. Mel Watt (D-N.C.) is now likely to soon be confirmed as director of the Federal Housing Finance Agency, which regulates taxpayer-owned mortgage finance giants Fannie Mae and Freddie Mac. 'We'll bring him to the floor soon and he'll be confirmed,' said Sen. Sherrod Brown (D-Ohio)."

PAYDAY LOANS

Federal Regulators Crack Down on Payday Advances
(Robert Benincasa, NPR/WBUR, 11/22/13)
"Consumer advocates are hailing a decision by federal regulators to crack down on so called deposit advances — a type of payday loan offered by some banks. Going forward, banks will not be allowed to let their customers take deposit advances more than once a month, or take them in consecutive months…

"Here's Lauren Saunders from the National Consumer Law Center: 'This is a very important move by the bank regulators. It, you know, stops some of the largest banks from making 200 and 300 percent interest-rate loans to consumers that really get people into a debt trap.'"

[FDIC & OCC Tell Banks to Stop Issuing Payday Loans as "Direct Deposit Advances"]
(Chris Moran, Consumerist, 11/21/13)
"While many payday lending operations are not directly tied to federally insured banks, some of the biggest names in banking — most notably Wells Fargo — offer what are effectively payday loans via 'Direct Deposit Advance Loans.' But today the FDIC and the Office of the Comptroller of the Currency have given some guidance to the banks they regulate, basically saying 'That's enough of that, don't ya think?'

"Just like payday loans, Direct Deposit Advances offer short-term, relatively low-value loans, but with hefty fees that can make the money difficult to repay in a short period of time. Thus, borrowers often need to take out a new loan to pay off the previous one, and so on and so on. Earlier this year, a California woman testified before a Senate committee on how her $500 Wells Fargo Direct Deposit Advance ultimately ended up costing her $3,000."

[AFR Statement: FDIC and OCC Crack Down on Abusive Lending; Fed Should Follow]
(Americans for Financial Reform, 11/21/13)
"At long last, two key financial watchdogs have taken decisive action against the predatory loan practices of national banks and federal savings associations. The Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency finalized supervisory guidances on bank payday loans requiring the institutions they regulate - Wells Fargo, U.S. Bank, and the Bank of Oklahoma, among others - to determine whether potential borrowers can repay these triple-digit interest rate loans. Under the new rules, the banks will no longer be able to market deposit advance or other payday-style loan products that are engineered to trap customers into cycles of unmanageable debt."

Related statements from AFR member organizations:

- Consumer Federation of America
- Center for Responsible Lending
- NAACP
- National People's Action

[Banks: Deposit Advance Guidelines Will Help Payday Lenders, Hurt Consumers]
(Joe Adler, American Banker, 11/21/13)
"Industry representatives say the Federal Deposit Insurance Corp. and Office of the Comptroller of the Currency's guidance puts the future of deposit advance in doubt, while regulators say they are simply urging better underwriting and risk management.

"Two regulators' decision to finalize restrictions for deposit-advance loans is furthering debate over whether banks will lose short-term credit business to unregulated lenders. The Office of the Comptroller of the Currency and the Federal Deposit Insurance Corp. issued final guidance on deposit-advance products Thursday that was substantively identical to their April proposal. To the industry's chagrin, the guidelines bar advances to a borrower before a prior one is repaid, and require a one-month 'cooling off' period between successive loans to one consumer."

[Cash America to Pay $19 Million in Settlement with New Bureau]
(Hannah Cho, Dallas News, 11/21/13)
"Fort Worth payday lender Cash America has agreed to pay $19 million to settle allegations that

it improperly reviewed and signed documents in debt collection lawsuits, overcharged military customers and impeded a regulatory examination.

"The enforcement action was the first against a payday lender by the federal Consumer Financial Protection Bureau, which announced the consent order Wednesday. Cash America will pay up to $14 million in refunds to consumers and a $5 million fine, the bureau said. Cash America, one of the largest U.S. payday lenders, with third-quarter net income of $46.2 million, said in a prepared statement that it has agreed to the payment without admitting or denying the assertions."

Editorial: State Officials Need To Join Cities' Fight Against Payday Lenders
(Editorial, Dallas News, 11/17/13)
"Debt and debtors have been a concern of the faith community since the days of Moses. That manifested itself anew this week at the State Capitol, as the Joint Religious Legislative Coalition (JRLC) and Holy Trinity Lutheran Church of Minneapolis called on lawmakers to crack down on payday lending.

"Payday loans are short-term, small-amount, high-interest loans that some banks have offered since the Great Depression but that began to proliferate in storefront operations about 20 years ago and online more recently. Many, though not all, such loans require payment in full when the borrower's next paycheck arrives, often via the borrower providing the lender with a postdated check."

Better Policing Needed For Payday Lending
(Editorial, Minneapolis Star Tribune, 11/15/13)
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Reining in Payday Lenders
(Editorial, NY Times, 11/16/13)
"At some point — soon, we hope — the Federal Consumer Financial Protection Bureau will issue regulations for the payday lending industry. The bureau took an important step in that direction when it announced earlier this month that it would begin collecting complaints from borrowers who may have been hit with unreasonable fees, unauthorized withdrawals from their checking accounts or other abuses. The bureau should rein in all of these practices, but its most important task is to ensure that the loans are affordable — which means requiring lenders to determine in advance that the borrower has the ability to repay."

JPMorgan Chase Is Reining in Payday Lenders
(Jessica Silver-Greenberg, NY Times, 11/19/13)
"JPMorgan Chase will make changes to protect consumers who have borrowed money from a rising power on the Internet — payday lenders offering short-term loans with interest rates that can exceed 500 percent.

"JPMorgan, the nation's largest bank by assets, will give customers whose bank accounts are tapped by the online payday lenders more power to halt withdrawals and close their accounts. Under changes to be unveiled on Wednesday, JPMorgan will also limit the fees it charges customers when the withdrawals set off penalties for returned payments or insufficient funds."

Community Groups Protest Regions' Deposit Advance Product
(Sarah Todd, American Banker, 11/10/13)
"Community groups are uniting to protest Regions Financial's (RF) short-term loan program, calling on the Birmingham, Ala., company to ditch its "Ready Advance" product. Demonstrations against the Ready Advance product are set to take place Wednesday in Regions offices in Decatur, Ill., Urbandale, Iowa, and Columbia, Mo., according to a press release from grassroots organization network National People's Action. The group said it had collected 12,000 signatures urging Regions to drop the product, which it likens to payday loans.

"The group also directed its ire at the Federal Reserve, Regions' primary national regulator, for failing to join other regulators in imposing restrictions on banks' deposit advance loans."

(AFR collected over 10,000 signatures on similar petitions that were delivered to the company at the same time.)

Service Members Left Vulnerable to Payday Loans
(Jessica Silver-Greenberg & Peter Eavis, NY Times, 11/22/13)
"Petty Officer First Class Vernaye Kelly winces when roughly $350 is automatically deducted from her Navy paycheck twice a month. Month after month, the money goes to cover payments on loans with annual interest rates of nearly 40 percent. The monthly scramble — the scrimping, saving and going without — is a familiar one to her. More than a decade ago, she received her first payday loan to pay for moving expenses while her husband, a staff sergeant in the Marines, was deployed in Iraq.

"Alarmed that payday lenders were preying on military members, Congress in 2006 passed a law intended to shield servicemen and women from the loans tied to a borrower's next paycheck, which come with double-digit interest rates and can plunge customers into debt. But the law failed to help Ms. Kelly, 30, this year."

Senators: Payday Lenders Preying On Troops
(Julian Hattem, The Hill, 11/20/13)

Payday Lender Fined by Consumer Financial Protection Bureau
(Jim Puzzanghera, LA Times, 11/20/13)

Consumer Financial Protection Bureau Accepting Payday Complaints
(Chris Sieroty, Las Vegas Business Press, 11/17/13)

Regulators Pounce On Payday Lender Cash America
(UPI, 11/20/13)

Bank, Credit Union Defend Payday Loans as Challenges Mount (doesn't this go in the payday section)
(Andy Peters, American Bankers, 11/18/13)

CFTC, DERIVATIVES & COMMODITIES

Obama's Mystery Man for Derivatives
(Jesse Eisinger, ProPublica, 11/20/13)
"President Obama has nominated Timothy G. Massad to head the Commodity Futures Trading Commission. If you thought, "who?" — well, that may be the point.

"It's difficult to escape the suspicion that his nomination is an effort to send a once-obscure agency back to obscurity. In choosing a cautious lawyer like Mr. Massad, an assistant secretary at the Treasury Department, the Obama administration seems to be tacitly renouncing the era of the outgoing head of the agency, Gary S. Gensler. Having spent much of his career at Goldman Sachs, Mr. Gensler was viewed with suspicion on his appointment. Yet he turned out to have been a spine-stiffener among regulators who mostly went invertebrate as the banks sought to undermine financial regulatory reform."

Liberals Raise Questions on CFTC Nominee's Commitment to Regulations
(Ben Weyl, Roll Call, 11/13/13)
"Tim Massad's nomination to lead the Commodity Futures Trading Commission is getting a distinctly lukewarm reception from liberals, who fear his tenure in the Treasury Department shows signs he won't be as tough a regulator as the departing Gary Gensler.

"Massad's confirmation chances still seem good, but the questions suggest the confirmation process will highlight divisions between liberals and the Obama administration over financial services regulation as many rules enacted since the 2008 financial crisis still are being implemented.

"Many liberals have criticized President Barack Obama's Treasury Department, first led by Timothy F. Geithner and now by Jacob J. Lew, for being soft on the financial industry in the wake of the 2008 bailouts. Lew is said to have recently admonished Gensler for taking too hard a line on a proposal governing cross-border derivatives trading."

CFTC Closes Offshore Loophole
(Carla Main, Bloomberg BusinessWeek, 11/1/13)
"The top U.S. derivatives regulator moved to close off large banks' ability to avoid new regulation by arranging trades in America and then booking the deals in overseas affiliates.

"The guidance, released Nov. 14 by the Commodity Futures Trading Commission, undermines a legal interpretation Wall Street had found buried in a footnote, No. 513, in an agency policy document. Banks relied on the footnote to keep swap deals off electronic platforms and away from the agency's rules that were put in place in the wake of the financial meltdown."

AFR Applauds CFTC for Resisting Continued Wall Street Efforts to Dodge Derivatives Rules
(Americans for Financial Reform, 11/20/13)
"In a brief advisory statement, the Commodity Futures Trading Commission has closed a specious, lobbyist-concocted loophole in the regulation of the derivatives markets. By doing so, the Commission has reaffirmed one of the most important and hard-won victories of the Dodd-Frank Act."

[CFTC Unveils New Weekly Swaps Report]
(Reuters, 11/20/13)
"The U.S. Commodity Futures Trading Commission (CFTC) unveiled its new weekly swaps report on Wednesday, as part of a series of mandates to reign in the multitrillion-dollar derivatives market. The so-called CFTC Swaps Report is designed to bring transparency on pricing information and contract terms and will carve out data gleaned from three swaps data repositories: the CME Group SDR ; DTCC (Depository Trust & Clearing Corporation) Data Repository; and ICE Trade Vault.

"The agency will report aggregate gross notional outstanding value, dollar volume, and ticket volume of interest rate, currency, credit, equity and commodity swaps. It will further categorize those swaps by participant type, and cleared versus uncleared transactions."

Wall Street Pushes Back on CFTC's Advisory for Overseas Swaps
(Robert Schmidt and Silla Brush, Bloomberg, 11/18/13)
"The largest Wall Street banks are mobilizing to fight a new policy by the U.S. Commodity Futures Trading Commission that gives the regulator broader authority in overseas derivatives deals. The policy, issued Nov. 14, negates a legal interpretation that banks have been using to keep some swaps trades off electronic platforms and away from CFTC rules enacted to make the market less opaque. The companies and their lawyers say the announcement, which the agency published as a 'staff advisory,' is written so broadly it could expose their overseas deals to even more U.S. regulation.

"Within hours of its release, bank lobbyists met to discuss possible legal action against the agency and began contacting members of Congress, according to people involved in the pushback."

EU Says Gensler Swaps Rule Clashes With Trans-Atlantic Pact
(Jim Brunsden, Bloomberg, 11/21/130
"European Union regulators accused the U.S. Commodity Futures Trading Commission of reneging on a trans-Atlantic pact on swaps regulation, saying new curbs on EU-based units of U.S. banks clash with efforts to align rules. The European Commission is urging the CFTC to reconsider the measure that Chairman Gary Gensler argued is vital to prevent U.S. companies from evading regulations by booking transactions through affiliates based in other countries."

U.S. Senate Panel Won't Vote on CFTC Nominees in 2013
(Charles Abbott and Sarah N. Lynch, Reuters, 11/20/13)

CFTC's Chilton Says He Would Vote Against Current Volcker Rule
(Silla Brush, Bloomberg, 11/21/13)

CFPB AND CONSUMER FINANCE

Credit-Card Rewards Programs Examined by U.S. Consumer Bureau
(Carter Dougherty, Bloomberg, 11/15/13)
"The U.S. Consumer Financial Protection Bureau is examining whether customers are being misled when they sign up for complex credit-card reward programs and will mull new rules in this area. Consumers can face 'detailed and confusing rules' about using rewards, CFPB

Director Richard Cordray said in an e-mail yesterday. 'We will be reviewing whether rewards disclosures are being made in a clear and transparent manner, and we will consider whether additional protections are needed.'"

Debt Collectors Crunch Numbers On CFPB Complaints (paywalled)
(Kate Davidson, Politico, 11/20/13)
"Nearly a quarter of the debt collection complaints released by the CFPB this month were against companies, such as banks or direct creditors, trying to collect on their own outstanding accounts, according to an analysis paid for by third-party debt collectors. While third-party collectors are subject to restrictions under the Fair Debt Collection Practices Act, first-party collectors aren't, and the group has faced growing scrutiny from the bureau as it considers new debt collection regulations.

"A report released today by ACA International, a trade group representing third-party debt collectors, found that 86 percent of the third-party collection companies listed in CFPB's database had fewer than 10 complaints against them."

Consumer Bureau Yields to Title Insurers on Mortgage Rule
(Carter Dougherty, Bloomberg, 11/20/13)
"A U.S. rule that would have wrapped title insurance into the total costs listed on a simplified mortgage-disclosure form was dropped by the Consumer Financial Protection Bureau after industry complaints.

"The rule first proposed by the consumer bureau in July 2012 would have incorporated these costs into the calculation of the annual percentage rate on a simplified new mortgage disclosure form. The agency backed down after feedback suggested that the all-in APR, is the rule is known, 'might have affected the types of loans available to consumers,' it said in an e-mailed statement today."

The National Consumer Law Center issued a statement criticizing the mortgage disclosure rules.

Credit Card Rewards Programs Come Under Scrutiny
Carter Dougherty, Bloomberg News, 11/17/13)
"The Consumer Financial Protection Bureau is examining whether customers are being misled when they sign up for complex credit-card reward programs and will mull new rules in this area. "Consumers can face 'detailed and confusing rules' about using rewards, CFPB Director Richard Cordray said in an email. 'We will be reviewing whether rewards disclosures are being made in a clear and transparent manner, and we will consider whether additional protections are needed.'

"Restrictions on card rewards programs could crimp the ability of banks to use the enticements to sign up customers. Top issuers such as JPMorgan Chase, Bank of America Corp. and American Express Co. rely on rewards to attract and keep cardholders."

Student Loan Bubble Starts to Alarm Federal Regulators
(John Sandman, Main St. 11/20/13)
"Depending on which people you talk to, the financial crisis is over. And—-depending on your sources—-the blame was largely due to the over-heated demand for residential mortgages and their subsequent securitization.

"Could another debt market touch off a replay of the last crisis? How about student loans? The Consumer Financial Protection Bureau went public with the idea on Monday when Rohit Chopra, the CFPB's student loan ombudsman, warned financial regulators against turning a blind eye to a crisis that could imperil the entire country.

"In prepared remarks delivered in a speech to the Federal Reserve Bank of St. Louis on Monday, Chopra said it would be 'irresponsible' for financial regulators to look the other way while a calamity is in the making caused by student loans."

A Future Without Dealer Participation and What It Should Look Like, According To The CFPB
(Heather S. Klein, CFPB Monitor, 11/18/13)

Visa and MasterCard Rekindle The Credit Card Fetish
(Amy Reeves, Investors Business Daily, 11/15/13)

Credit Bureau Complaints Bring Relief for 30 Percent (Jim Gallagher, St. Louis Post-Dispatch, 11/19/13)

Discrimination in Car Loans Probed
(Danielle Douglas, Washington Post, 11/15/13)

Talk Back on Debt Collection
(Michelle Singletary, Washington Post, 11/16/13)

Financial Marketers Outspend Financial Educators 25-To-1: Plain Dealing
(Sheryl Harris, The Plain Dealer, 11/19/13)

JPMORGAN CHASE SETTLEMENT

JPMorgan Pays
(Editorial, NY Times, 11/21/13)
"The long-awaited $13 billion settlement with JPMorgan Chase over allegations of misrepresentation in the sale of mortgage securities is hardly a cure-all for the damage inflicted on homeowners, investors and the economy by fraud, predation and other wrongdoing during the bubble. It is, however, a likely precursor of similar payouts from other banks, and it provides at least some cash for investors and a measure of relief for struggling homeowners and communities. Where it falls short is in its failure to hold individuals accountable."

The True Accountability in the JPMorgan Settlement
(Peter J. Henning, New York Times, 11/20/13)
"The watchword in the Justice Department's $13 billion settlement with JPMorgan Chase over the sale of questionable mortgage-backed securities is "accountability." References to accountability appear 11 times in the news release detailing the resolution of federal and state cases against the bank over how it packaged faulty mortgages and sold them to investors.

"'Attorney General Eric H. Holder Jr. said that "the passage of time is no shield from accountability,' while Tony West, the associate attorney general, stated that 'we are demanding accountability' through the settlement. New York's attorney general, Eric T. Schneiderman, added, 'We've won a major victory today in the fight to hold those who caused the financial crisis accountable.'"

JPMorgan's settlement: A Win for Communities Hit Hard by Housing Crisis
(Danielle Douglas, Washington Post, 11/19/13)
"After months of tense negotiations, the Justice Department on Tuesday finalized a record $13 billion settlement with JPMorgan Chase to resolve allegations that the bank knowingly sold faulty mortgage securities that contributed to the financial crisis.

"This marks the largest penalty ever levied against a single company and represents a colossal win for the government after years of public criticism over its struggle to hold Wall Street accountable for crisis-era sins. It is also a tremendous black eye for a bank once lauded as the nation's strongest financial institution to emerge from the crisis."

Where Does JPMorgan's $13 Billion Go?
(Ben Protess and Jessica Silver-Greenberg, NY Times, 11/20/13)
"Of the $13 billion, the only fine in the case came from federal prosecutors in Sacramento, who extracted a $2 billion penalty. In case you missed their news conference, this was kind of a big deal, representing 'the largest recovery ever in a case handled' by the office.

"No, prosecutors cannot pocket the cash to purchase a life-size gold statue of Jamie Dimon. Instead, JPMorgan must wire the $2 billion to the Justice Department, which will then deposit the money into a fund at the United States Treasury. The next chunk of cash, roughly $7 billion, will flow to a range of government authorities, some more obscure than others. The biggest winner is the Federal Housing Finance Agency, which took control of Fannie Mae and Freddie Mac when the companies collapsed in 2008."

How JPMorgan (Sort Of) Copped to Mortgage Fraud -- and Won
(Michael Hiltzik, LA Times, 11/20/13)
"The 'statement of fact' -- that narrative document that lays out what a corporate defendant has done wrong, without actually mentioning anything that could hurt the corporation in court -- has become our generation's big new literary genre. The statement accompanying JPMorgan Chase's $13-billion legal settlement this week is a perfect example of the form. Like most such narratives, it's notable more for what's hidden between the lines than for what's on the page, as in a novel by Joseph Conrad.

The obscure verbiage of the document, in fact, is designed to extract what seems to be a confession of guilt by JPMorgan without it being the kind of confession that can be used against JPMorgan in any further court cases. That's why the same document can allow New York Atty. Gen. Eric Schneiderman to assert that 'JPMorgan acknowledges that it regularly misrepresented to RMBS [residential mortgage-backed securities] investors that the mortgage loans in various securities complied with underwriting guidelines,' and Bloomberg columnist Jonathan Weil to reply, 'The statement of facts included no such acknowledgment by JPMorgan.'"

Justice Department Taking Larger Role on SEC's Turf
(Dina ElBoghdady, Washington Post, 11/20/13)
"The Justice Department has aggressively tackled financial misconduct in two recent high-profile cases, the type typically handled by the Securities and Exchange Commission.

“This week, Justice exacted a record $13 billion settlement with JPMorgan Chase to resolve allegations that the bank knowingly sold faulty mortgage securities. Earlier this year, it slapped Standard & Poor’s with a lawsuit that accused the firm of defrauding investors by issuing stellar ratings on shoddy securities.”

JPMorgan’s Bait-And-Switch: The Ballyhooed Settlement Is Just a Scam!
(David Dayen, Salon, 11/20/13)
“The first thing you need to know about JPMorgan Chase’s long-awaited $13 billion deal with the Justice Department — to settle a number of civil lawsuits related to the fraudulent sale of mortgage-backed securities — is that *it’s not a $13 billion deal*. $4 billion of this figure, over 30 percent, was announced almost a month ago as the conclusion of a lawsuit between JPMorgan and the Federal Housing Finance Agency.

“Attorney General Eric Holder, wanting to stand at a podium and give out a really big settlement number, simply folded the FHFA settlement into the Justice Department’s. Why news editors who have already reported on the FHFA settlement would let the Justice Department use it again in its headline figure is completely beyond me. They aren’t obligated to do the Justice Department’s P.R. for them. We don’t say the Miami Heat beat the San Antonio Spurs 200-98, but 100 of those points came from a previous game.”

Money Can Buy Relief on Wall Street: and Other Lessons From JPMorgan's $13B Deal
(Halah Touryalai, Forbes, 11/20/13)

Feds Had JPMorgan On This One, But Expect More `Traffic Tickets' In Future
(Daniel Fisher, Forbes, 11/20/13)

JPMorgan Can Deduct Big Chunk of $13 Billion Deal
(Jeanne Sahadi, CNN Money, 11/19/13)

JPMorgan $13 Billion Mortgage Deal Seen as Lawsuit Shield
(Hugh Son, Zachary Tracer, Tom Schoenberg & Laurie Asseo, Bloomberg, 11/20/13)

In Extracting Deal From JPMorgan, U.S. Aimed for Bottom Line
(Ben Protess and Jessica Silver-Greenberg, New York Times, 11/19/13)

Attorney General Expects More Settlements After $13B Jpmorgan Chase Deal
(Michael Virtanen, Huffington Post, 11/21/13)

Compliance Takes a Starring Role in Record JPMorgan Settlement
(Nick Paraskeva, Compliance Complete, 11/21/13)

JPMorgan Deal Offers Turning Point for Eric Holder
(Tom Schoenberg, Bloomberg, 11/21/13)

Fines Are Tax on Banks’ Extra Profits - Krawcheck
(Dakin Campbell & Robert Friedman, Bloomberg, 11/20/13)

MORTGAGES AND FORECLOSURES

More Cities Consider Eminent Domain to Halt Foreclosures
(Shaila Dewan, New York Times, 11/15/13)
"New cities are joining the effort to head off home foreclosures by using a twist on the power of eminent domain, despite threats of financial retaliation from Wall Street and Washington.

"On Saturday, Mayor Wayne Smith of Irvington, N.J., will announce that his mostly working-class city is proceeding with a legal study of the plan. Irvington could try to head off legal action and repercussions through what are called 'friendly condemnations,' in which incentives are used to persuade the owner to drop any objections, he said. 'We figure if this program works it can help anywhere from 500 to 1,000 homes.'"

New Home Loan Disclosure Forms Get Rid Of 'Mumbo-Jumbo' So Consumers Can Actually Understand Mortgage Rate, Costs
(Teresa Dixon Murray, Cleveland Plain Dealer, 11/20/13)
"If you've ever bought a home -- or talked to anyone who has -- you know about the nightmare of wading through dozens and dozens of legalese-laced forms and still having no idea how much you're borrowing, the closing costs or the interest rate. That is now set to change.

"The Consumer Financial Protection Bureau today will announce a requirement for lenders to use easier-to-understand forms that clearly spell out the most important issues for the borrower. The new documents -- called "Know Before You Owe" forms -- will replace the infamous Truth-in-Lending, Good Faith Estimate and HUD-1 documents that have caused consumers' eyes to glaze over for more than 30 years."

New Mortgage Form Said Required of Large and Small Banks
(Carter Dougherty, Bloomberg, 11/19/13)

New Jersey Town Vows To Rescue Foreclosed Homeowners
(E. Tammy Kim, Al Jazeera America, 11/16/13)

NJ City Eyes Eminent Domain To Fight Foreclosure
(Katie Zezima, Associated Press, 11/16/13)

FEDERAL RESERVE

Yellen Sides With Those Who Say Big Banks Enjoy Unfair Advantages
(Yian Q. Mui, Washington Post, 11/14)
"'I would agree that addressing too big to fail has to be among the most important goals of the post-crisis period,' Yellen, who is currently vice chair at the Fed, said in response to a question from Ohio Democrat Sherrod Brown. Too Big To Fail is damaging, it creates moral hazard, it corrodes market discipline, it creates a threat to financial stability, and it does — unfairly in my view — advantage large banking firms over small ones.'

"The Federal Reserve has taken meaningful steps to strengthen its scrutiny of the nation's financial system and prevent another economic crisis, the White House's nominee to lead the central bank said Thursday.

"Janet Yellen appeared before the Senate banking committee Thursday for a hearing on her confirmation. Many of lawmakers' questions focused on what the Fed has done to shore up the banking sector and central bank's progress in crafting new regulations required under sweeping reforms passed by Congress three years ago. They also challengedYellen to address ways to limit the dominance of the nation's largest financial institutions, which have been dubbed "too big to fail."

Yellen's Fed Chief Nomination Approved by Senate Panel
(Cheyenne Hopkins and Kathleen Hunter, Bloomberg Businessweek, 11/20/13)

SYSTEMIC RISK

Pressure to Finish Volcker Rule Quickly
(William Alden, NY Times, 11/18/13)
"The Obama administration, currently stumbling through the health care overhaul, has reached a critical stage in its other signature effort: reining in Wall Street.

"The push to reshape financial oversight hinges on negotiations in the coming weeks over the so-called Volcker Rule, a regulation that strikes at the heart of Wall Street risk-taking. The rule, which bans banks from trading for their own gain, has become synonymous with the Dodd-Frank overhaul law that Congress adopted after the financial crisis."

Volcker Rule Under Fire, U.S. Fed Says Could Delay Compliance
(Sarah N. Lynch, Reuters, 11/21/13)
"U.S. regulators are considering whether to give banks more time to comply with the Volcker rule, which bans them from gambling with their own money, Federal Reserve Vice-Chair Janet Yellen said in a Nov. 18 letter. Yellen, nominated by President Barack Obama to lead the Fed, did not say whether an extension would be granted, but pointed out that the law permits regulators to give banks up to three one-year extensions if necessary. "The Board will ... consider the public interest in granting an extension of the conformance period," Yellen wrote to Mike Crapo, a Republican, responding to follow-up questions posted a hearing into her confirmation. Regulators are struggling to reach consensus on the complex issues entailed by the rule, a crucial part of the 2010 Dodd-Frank act that was adopted to make investment banks safer and prevent a repeat of the 2008 credit crisis. Treasury Secretary Jack Lew has told the five regulatory agencies involved to get the work done before the end."

Instead Of Shrinking, The Biggest Banks Have Consolidated And Control Even More Capital
(Zoë Carpenter, Monterey County Weekly, 11/21/13)
"It's been more then five years since the financial sector collapsed, triggering a deep recession that many Americans are still struggling to shake off. Not so for the big banks. They're larger, more powerful, and more dangerous than ever before, Sen. Elizabeth Warren, D-Mass., warned at a recent event examining financial reform since the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010.

"Warren's speech was an indictment not only of the financial institutions that "have fought to delay and hamstring the implementation of financial reform," but also of the regulators and lawmakers – many from her own party – who are refusing to hold the financial sector to account."

Wall Street Attacks Report on Asset-Management Risks (paywalled)
(American Banker Morning Scan, 11/18/13)
"An industry attack continues on a government report that warned of risks associated with asset-management firms. Two Democrats on the Senate Banking Committee, Mark Warner and Jon Tester, are amplifying the asset-management industry's complaints about the report, which was written by the Office of Financial Research."

Credit Suisse to Fence Off Swiss Operations in Separate Unit
(Elena Logutenkova, Bloomberg, 11/21/13)

INVESTOR PROTECTION

Wall Street Warns Of Threat To Investors
(Kevin Bogardus, The Hill, 11/21/13)
"Labor Secretary Tom Perez is coming under pressure from Wall Street to scrap a rule-making effort that could affect millions of retirement accounts. The Labor Department intends to put forward a controversial regulation that would broaden the definition of 'fiduciary' status so that it covers more financial advisers.

That's struck fear into financial industry officials, who say the rule change could put many investment advisors out of business while raising costs in popular plans like investment retirement accounts (IRAs). Trade groups want Perez to take another look at the rule before his department moves forward. 'He is a new player…' said a financial services executive who was in Washington this week to lobby lawmakers. "I think the hope is that he will take a fresh look at it."

OTHER ITEMS

Government Crackdowns: Where Are The Victims?
(Stephen Gandel, CNN Money, 11/20/13)
"Justice continues to come with slightly less pain for Wall Streeters.
The most recent evidence of this phenomenon comes from the government's prosecution of hedge-fund billionaire Steven Cohen. Earlier this month, Cohen's firm SAC Capital pled guilty to insider trading charges. U.S. prosecutors have called SAC a criminal enterprise, and the firm is paying the largest fine related to insider trading in history.

"Yet, at the same time, the government is trying to bar individuals who may have been harmed by the hedge fund's insider trades from using the evidence the government uncovered against the firm. At a recent hearing about the plea deal, the Justice Department argued that individuals who lost money in the same two stocks at the same time that Justice Department says SAC benefited from insider trading should not be considered victims. What's more, the Justice Department's plea deal with SAC does not include any admission of guilt for any particular trades, just that it broke the rules in general. Jury selection in a case against a former SAC trader accused of insider trading started on Tuesday."

Geithner Cashes In (paywalled)

(American Banker Morning Scan, 11/18/13)

"Former Treasury Secretary Timothy Geithner spent a lot of time during his tenure battling the incorrect belief that he used to work in the financial sector. If only his critics had waited a few years, they'd have been right. Geithner announced over the weekend that he will join the private equity firm Warburg Pincus.

"Among the angles explored in the coverage: 1) Geithner wanted to get paid. Duh. 2) While at Treasury, Geithner urged Congress to raise the low tax rates paid by private equity managers. 'The effort failed and Mr. Geithner will now be able to benefit from that failure,' the *Financial Times* writes. 3) 'The increased pay comes without the baggage of joining a big Wall Street bank…' the *FT* notes. So in terms of public perception, big banks are apparently even lower than the private equity industry. 4) Geithner's forthcoming book, scheduled for publication in 2014, is expected to settle a score with Sheila Bair."

Big Week for Dodd-Frank

(Politico Morning Money, 11/22/13)

"A Treasury blog post going up this a.m. notes that regulators took 'several new actions this week to protect consumers, make markets more transparent, and provide community banks with the tools they need to operate in the safer, sounder financial system we have today' including CFPB's 'Know Before You Owe' mortgage disclosure forms and first payday lender enforcement action, the CFTC's new weekly swaps report and a new capital estimation calculator for community banks from the FDIC, OCC and Fed."

How Wall Street — Not Pensioners — Wrecked Detroit

(David Sirota, Salon, 11/20/13)

"In its house editorial yesterday, USA Today retold the now-accepted story of Detroit's bankruptcy. Railing on "reckless public pensions," the newspaper told its readers that the Motor City is "Exhibit A for municipal irresponsibility" because it allegedly "negotiated generous pensions" that were too lavish. In this fable, the average Detroit pensioner's $19,000 a year stipend — which many get in lieu of Social Security — is somehow defined not only as excessive, but also as the primary cause of the city's financial problems. Detroit, thus, becomes a weapon in the larger Plot Against Pensions, as the right holds it up as a cautionary tale supposedly showing that A) police officers, firefighters and sanitation workers are greedy and B) America cannot afford to fulfill negotiated agreements to pay public-sector workers a subsistence retirement benefit.

"No doubt, there is a tiny grain of truth in this otherwise inaccurate story. Yes, it is true, Detroit *is* a cautionary tale for governments about financial management and legacy costs. However, it is *not* a cautionary tale about allegedly greedy employees living the MTV Cribs life off taxpayers. As an eye-opening new report from a former Goldman Sachs executive documents, it is instead yet another cautionary tale about Wall Street's too-good-to-be-true schemes that end up being, well, too good to be true.

"Commissioned by the think tank Demos, the new report out today from former investment banker Wallace Turbeville shows that contrary to the myths about a bloated municipal government overspending on lavish social services, Detroit's 'overall expenses have declined over the last five years' by $419 million thanks to the city 'laying off more than 2,350 workers, cutting worker pay, and reducing future healthcare and future benefit accruals for workers.'"

Banks Aren't The Bad Guys
(Charles Lane, Washington Post, 11/18/13)
"Appropriate prosecutorial discretion informed the Obama administration's approach to allegations of criminal fraud in the trade of mortgage-backed securities, the collapse of which triggered global panic. As Lanny Breuer, then the chief of the Justice Department's criminal division, explained in an interview with PBS's Frontline last year, it's one thing to say, in hindsight, that bankers knowingly sold their victims shoddy securities and quite another to prove, beyond a reasonable doubt, 'that you had the specific intent to defraud' and 'that the counterparty, the other side of the transaction, relied on your misrepresentation.'

"Having reviewed the facts, Breuer concluded not only that he couldn't bring many criminal fraud cases but also that illegal conduct did not cause the crash. The real scandal is the counterproductive behavior that was perfectly legal: Americans' shared, erroneous belief in ever-rising housing prices and corresponding mania to profit from them. 'People in Wall Street, and throughout, thought that there was no going down in the market. Everybody was going to get rich,' Breuer told Frontline."

Is the Only Choice Bubbles or Recession?
(Mathew C. Klein, Bloomberg View, 11/19/13)
"The Onion, a satirical newspaper, ran one of its best headlines ever in July 2008: 'Recession-Plagued Nation Demands New Bubble to Invest In.' More than five years later, this joke resembles a serious suggestion from several of the world's leading economists. That would leave us with an unappetizing choice between the excesses of the go-go years and chronic slow growth and underemployment. Fortunately, there may be an alternative -- if we're willing to do something about wealth and income inequality.

"During a presentation at the International Monetary Fund's most recent economic forum, Larry Summers, the former Treasury secretary, argued that we should be concerned about policies 'whose basic purpose is to cause there to be less lending, borrowing, and inflated asset prices than there was before.' To economist Paul Krugman, what Summers seemed to be saying is that tougher financial regulation 'may discourage irresponsible lending and borrowing at a time when more spending of any kind is good for the economy.' It's a view that Krugman endorses and is reminiscent of his suggestion in 2002 that the Fed engineer a housing bubble to offset the collapse in business investment."

Krugman and Summers Want to Keep Finance Fun
(Matt Levine, Bloomberg View, 11/19/13)

Obama's First-Term Finance Team: Where Are They Now?
(Michael J. De La Merced, NY Times, 11/18/13)

Goldman Trading Slump Tied in Part to Faulty Currency Trade
(Justin Baer, Wall Street Journal, 11/20/13)

Treasury's Bowler to Succeed Massad as Head of TARP Wind-Down
(Ian Katz, Bloomberg, 11/19/13)

A Quarter of Community Banks Expect to Sell Next Year: KPMG (paywalled)
(Jackie Stewart, American Banker, 11/21/13)