AMERICANS FOR FINANCIAL REFORM

# THIS WEEK IN WALL STREET REFORM
# November 2-8, 2013

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## TOP STORIES

**Some Major Banks Lack Respect for "Law, Regulation and the Public Trust," New York Fed Chief Says**
**(Shahien Nahiripour, Huffington Post, 11/7/13)**
"The head of the Federal Reserve Bank of New York said Thursday that some of America's largest financial institutions appear to lack respect for the law… William Dudley, one of the nation's top banking regulators whose organization helps oversee Wall Street banks including JPMorgan Chase and Citigroup, made the comment during a speech focused on the problems posed by banks perceived to be 'too big to fail,' and possible solutions to correct them.

"But in an abrupt turn, Dudley suggested that regulators may be stymied by "cultural" issues that have negatively affected the nation's biggest banks. 'Collectively, these enhancements to our current regime may not solve another important problem evident within some large financial institutions -- the apparent lack of respect for law, regulation and the public trust,' he said."

**Lew Said to Warn Banks of Tough Volcker Rule in Meetings**
**(Cheyenne Hopkins & Jesse Hamilton, Bloomberg, 11/7/13)**
"Treasury Secretary Jacob J. Lew warned chief executive officers of top U.S. banks in a private meeting last month that the final Volcker rule ban on proprietary trading would be tougher than Wall Street expects.

"At the meeting, details of which haven't previously been disclosed, Lew told industry leaders that he has been encouraging regulators to make provisions of the Volcker rule more stringent, according to two people familiar with the meeting. The bank executives, members of the Financial Services Forum, left the meeting concerned the final rule would be more restrictive on their trading business than previously indicated, the people said."

**I Applied for an Online Payday Loan - Here's What Happened Next**
**(Pam Fessler, NPR, 11/6/13)**
"Payday lenders made about $49 billion in high-interest loans last year. More than a third of those loans were made online. I wondered what happens when you apply for such a loan, so I decided to find out. In the course of reporting a story earlier this year, I logged on to a site called eTaxLoan.com and filled out an application.

"I asked for $500 and, to be safe, I made up an address, a name (Mary) and a Social Security number. The site asked for more sensitive stuff — a bank account number and a routing number — and I made that up, too. In spite of the made-up information, in less than a minute, I got a response.

"'Congratulations. Tremont Lending has been selected as your lender and you have been pre-approved for a loan up to $740…"

**Card Act Cleared Up Credit Cards' Hidden Costs**
**(Floyd Norris, NY Times, 11/7/13)**
**"**Four years ago, Congress decided to force down the hidden fees that credit card companies collect from their customers. It passed a law called the 2009 Credit Card Accountability Responsibility and Disclosure Act — a name chosen so the law would be known as the Card Act.

"When Neale Mahoney, an economist at the University of Chicago's Booth School of Business, set out to evaluate the effect of that law, he was confident he knew what he and his colleagues would find: It didn't work.

"I went into the project with this sort of conventional wisdom that well-intentioned regulators would force down fees and that other fees and charges would increase in response," he told me this week, comparing hapless rule makers to the carnival visitors playing the game known as Whac-a-Mole… But his expectation was wrong."

## STATE OF THE CFTC

**Dodd-Frank Derivatives Momentum Threatened by Vacancies on CFTC**
**(Silla Brush, Bloomberg Businessweek, 11/7/13)**
"The top U.S. derivatives regulator may dwindle to just two voting commissioners and struggle to approve new rules unless the White House and Senate can overcome political hurdles to fill the vacancies by the end of the year.

"The Commodity Futures Trading Commission, which is designed to have five members regulate trading by banks including Goldman Sachs Group Inc. and JPMorgan Chase & Co. (JPM:US), could instead have only one Democrat and one Republican early next year. The split would probably delay votes on contentious Dodd-Frank Act regulations. The possible gridlock comes as the agency tries to flex its powers under the 2010 Dodd-Frank Act, which gave the commission oversight of the $633 trillion swaps market after largely unregulated trades helped fuel the credit crisis…"

**White House Preparing to Tap Tim Massad to Succeed Gary Gensler (Andrew Ackerman, Wall Street Journal, 11/7/13)**
"The Obama administration is preparing to tap Timothy Massad, who has overseen the Treasury Department's bank-rescue program for the past three years, to head the Commodity Futures Trading Commission, according to current and former government officials familiar with the matter.

"If confirmed by the Senate, Mr. Massad would fill the role vacated by Gary Gensler, who plans to step down when a successor is confirmed or when his tenure at the agency ends Jan. 3… It isn't clear how Mr. Massad—a one time corporate lawyer who has run the government's Troubled Asset Relief Program as an assistant Treasury secretary for the past three years—would approach some of the biggest issues facing the CFTC, including the push to ensure U.S. banks operating abroad adhere to U.S. derivatives rules...

"'By all accounts, he's a smart, energetic, competent guy, but he's just a complete blank on commodity and derivatives regulation and the Dodd-Frank reforms in those areas,' said Marcus Stanley, policy director at Americans for Financial Reform… referring to the 2010 financial overhaul."

**New Rule, and Vacancy, for a Wall St. Regulator**
**(Ben Protess and Alexandra Stevenson, NY Times, 11/5/13)**
**"**Bart Chilton, the outspoken regulator whose colorful commentary on financial risk taking positioned him as a fierce critic of the industry he helped oversee, announced on Tuesday that he was leaving his post at the Commodity Futures Trading Commission. The move is the latest sign that Wall Street's scrappiest regulatory agency is poised for a makeover.

"His departure, a move that surprised colleagues, creates an opening at an agency that is already short-handed and short of cash. Gary Gensler, the chairman who lifted the agency's visibility after the financial crisis, will leave at the end of the year when his term officially ends. The White House, which declined to comment on personnel matters, is vetting potential successors to Mr. Gensler, according to people briefed on the issue. Timothy G. Massad, a former assistant secretary of the Treasury, is considered a leading candidate for the job..."

**Congress Is Starving the Agency That's Supposed to Prevent Another Meltdown**
**(David Dayen, New Republic, 11/7/13)**
"Bart Chilton, the colorful, mullet-sporting member of the Commodity Futures Trading Commission (CFTC), resigned this week, after casting a final vote to set position limits, which would regulate the number of commodity trades individual speculators can hold. Chilton's farewell speech focused on his 5-year odyssey in support of a rule on position limits, which was finished, then overturned by the courts in 2012, then rewritten to answer the judicial challenges. He described it as his final piece of unfinished business. He also included a familiar farewell sentiment, which, in his case, was probably especially true: 'It's with incredible excitement and enthusiasm that I look forward to being able to move on to other endeavors.'

"You can hardly blame Chilton for being excited to leave the CFTC. The chief regulator for over $300 trillion worth of derivatives trades has seen its operations squeezed by drastic underfunding, right at the time the Dodd-Frank financial reform law dropped a whole new set of responsibilities in its lap. While the rule-writing process is important—and Wall Street lobbyists have fought hard for exemptions and loopholes on derivatives rules—the lack of resources has made rules almost irrelevant, since the CFTC simply cannot enforce them. The agency is being hollowed out from the inside, yet another way that the financial industry can achieve its goal of gaining the freedom to ignore the law in pursuit of profit."

**Opinion: New Commissioners Open U.S. CFTC To Change**
**(John Kemp, Reuters, 11/6/13)**
"The U.S. Commodity Futures Trading Commission is in for its biggest shake up since the financial crisis as two of its most experienced members and strongest proponents of tougher regulation prepare to step down.

"Bart Chilton, the longest serving member who has been a commissioner since 2007, revealed on Tuesday [Nov. 5] he had notified the president of his intention to leave in the near future. Chairman Gary Gensler, appointed in 2009, will step down at the end of the year. Both are Democrats and have been the strongest advocates of enforcing position limits and other new regulations on derivatives markets under the Dodd-Frank Act."

**A Commission Without Commissioners**
**(David Gura, Marketplace, 11/6/13)**
"The Commodity Futures Trading Commission is one of a cornucopia of financial regulatory agencies in Washington. It's responsible for the safe and orderly operation of the market in derivatives -- bets, essentially, on what will happen in everything from interest rates to pork belly prices.

"The CFTC isn't exactly a huge government operation, but it's responsible for an enormous market on the order of trillions of dollars, and its leadership ranks are about to shrink…"

## DERIVATIVES & COMMODITIES

**CFTC Moves To Rein in Market Speculation**
**(Ben Goad, The Hill, 11/5/13)**
"The Commodity Futures Trading Commission (CFTC) voted Tuesday to propose regulations meant to cap speculation on a broad array of commodities, including crude oil, natural gas, and gasoline. The commission's members voted 3-1 to approve a revamped rule that would impose position limits capping the number of futures contracts for the commodities that a company may hold.

"Spikes in prices for the commodities in recent years have been blamed on rampant speculation. The 2010 Dodd-Frank Wall Street reform law required the CFTC to implement a new set of standards. The goal, commission chairman Gary Genslar said Tuesday, is to, 'prevent any single trader from obtaining too large a share of the market to ensure that derivatives markets remain fair and competitive…'"

**EU Executive Rejects Delay In Derivatives Reporting**
**(Huw Jones, Reuters, 11/7/13)**
"Users of all financial derivatives in the European Union will have to report their trades from February after the bloc's executive vetoed a request from regulators for a delay. A delay would hinder the ability of regulators to spot potentially destabilising risks building up in markets, the EU's executive European Commission said.

New rules to make the world's $700 trillion market for credit default swaps and interest rate swaps safer are being rolled out in the EU and elsewhere across the world. One element is the mandatory recording of trades to give regulators a clear, instant picture of who holds what, something they lacked when Lehman Brothers bank went bust in 2008, creating uncertainty that roiled markets…"

**Metal Exchange Changes Rules to Trim Wait Times**
**(David Kocieniewski, NY Times, 11/7/13)**
**"**Hoping to reduce the warehouse delays that have added billions of dollars to the prices that consumers pay for beverage cans and other aluminum products, the London Metals Exchange has released new regulations meant to reduce the waiting times at storage facilities owned by

commodities traders and banks like Goldman Sachs.

“Beer breweries and other businesses that buy aluminum have for years complained that Metro International Trade Services, a string of Detroit-area warehouses owned by Goldman Sachs, had orchestrated bottlenecks at its facilities that forced them to wait as long as 16 months for their metal to be delivered…”

**Deregulation Locomotive Slows a Bit in the House (Jim Lardner, USNews.com, 11/7/13)**
“Good news: two terrible bills were approved by the House of Representatives last week.

“Three-and-a-half years after the Dodd-Frank financial reform law was signed, the ‘Swaps Regulatory Improvement Act’ (HR 992) and ‘Retail Investor Protection Act’ (HR 2374) remind us that the financial industry is still far from reconciled to reforms that threaten its cherished revenue channels. Nor has the industry lost its power to generate political support for measures that benefit Wall Street at the rest of the country's expense.

The two bills prevailed by margins of 292-122 and 254-166, respectively. But while neither vote was close, they represent progress. In both cases, financial reformers (including members of Congress) spoke up forcefully, got the press to pay closer than normal attention and eventually mobilized enough resistance to make it unlikely that these proposals will advance further…”

## SYSTEMIC RISK

**Hedge: The 5-Letter Word No One Can Define**
**(Peter Coy, Bloomberg BusinessWeek, 11/7/13)**
“How hard can it be to define one small word? Hard enough to delay a key part of Dodd-Frank, the contentious Wall Street reform law passed in 2010 that’s supposed to make the U.S. safer from future financial crises. Hard enough that regulators are warring over it not only with Wall Street but also with each other. And hard enough that President Obama has dispatched Treasury Secretary Jacob Lew to knock heads to get an agreement by yearend.

“[But] there’s one pretty simple tell: A proper hedge should be expected to lose money, just as an insurance policy usually costs more in premiums than it pays out. A hedge that’s designed to make a profit isn’t a hedge at all.”

**The Bankruptcy Exemption**
**(Simon Johnson, New York TImes, 11/7/13)**
“The 2013 Banking Resolution Conference, organized by the Federal Reserve Bank of Richmond and the Board of Governors of the Federal Reserve System, was a gripping affair. Ordinarily such technical meetings are dry, with a large number of lawyers and regulators using a great deal of jargon and arguing out minutiae. But this day began with a fascinating discussion centered on an enormous revelation.

“The big and important news is that bankruptcy cannot work for large, complex financial institutions in the United States, at least not using the current bankruptcy code. On this there was complete unanimity among the country’s top financial-sector lawyers, some of whom work for big banks. More specifically, if any such companies were to go bankrupt – as Lehman Brothers did in September 2008 – then global financial panic and potential chaos would follow, on the scale of fall 2008 or greater…”

## INVESTOR PROTECTION

**Street Cop (Profile of Mary Jo White)**
**(Nicholas Lemann, The New Yorker, 11/11/13)**
"Mary Jo White, the chair of the Securities and Exchange Commission, has a personal page on the New York Road Runners Club Web site, which records a battery of figures (Pace per Mile, Age-Graded Performance Percentage, and so on) for each of the official events she has completed. There are two hundred and seven entries since the first one, which was recorded a week before her fifty-sixth birthday, in 2003, seven of them since she began working in Washington, late last year, just as she was turning sixty-five. Friends and colleagues characterize White as the most competitive and driven person they have ever encountered…"

**Dems Who Once Supported Gutting Retirement Rules Bail on Wall Street**
**(Erika Eichelberger, Mother Jones, 10/30/13)**
"In August, *Mother Jones* broke the news that a letter signed by 32 progressive House Democrats that pushed to weaken protections for millions of Americans' retirement accounts had been written by a financial industry lobbyist. Since then, those Dems must have had a change of heart. On Tuesday, nearly all of them flip-flopped, and voted against a House bill that would have undermined the same safeguards the letter opposed…"

**Seeking to Toughen The Rules For Brokers**
**(Tara Siegel Bernard, NY Times, 11/2/13)**
"When you seek advice from a professional about where to invest your retirement savings, you hope the advice giver is acting in your best interest -- not profiting at your expense. But right now it's all too easy for stock and insurance brokers to avoid rules that require them to put their customers first, particularly when dealing with their individual retirement money.

"The Department of Labor, which oversees retirement plans, is working on regulations to change that, at least as far as your individual retirement accounts, 401(k)'s and related accounts are concerned. But the insurance and brokerage industries, with the support of some members of Congress, are waging a campaign against any proposed new rules, fearing the effect it could have on the way brokers are paid…"

(This issue was the subject of a September 30 AFR letter to House members. See also related letters from allied groups.)

**House Bill Shields Broker Abuses**
**(Darrell Delamaide, USA Today, 11/5/13)**
"House Republicans actually performed a public service with one of their innumerable symbolic votes last week by reminding us how regulators are dragging their feet on new rules to prevent brokers from fleecing their clients. The vote was one of those party-line affairs — like the 40-some efforts to repeal Obamacare — to approve legislation that will never get through the Senate and would encounter a White House veto if it ever did pass both chambers…"

**SEC to Examine Potential Conflicts of Interest at Proxy Advisers**
**(Emily Chasan, Wall Street Journal, 11/5/13)**
"U.S. securities regulators are planning to take another look at possible conflicts of interests at proxy advisory firms that make annual voting recommendations to institutional investors. The Securities and Exchange Commission said on Tuesday that it will hold a public roundtable Dec. 5 at its Washington, D.C. headquarters to discuss 'the use of proxy advisory firm services' such as Institutional Shareholder Services and Glass, Lewis & Co.

"In its statement, the agency noted some proxy firms provide consulting services aimed at helping companies to improve their corporate governance ratings, and said it would discuss transparency issues and conflicts of interest in the proxy advisory industry at the coming roundtable…"

**Is Your Broker Breaking Bad? Five Essential Truths About Financial Advisors**
**(Roger Dean Gershman, Forbes, 11/5/13)**
"I am a former financial services salesman. For 25 years, some of the world's largest banks and brokerage firms employed me as an investment advisor, and I made a good living *selling* investments to investors like you. Now I help people scrutinize their investment advisors…

"I am convinced the brokerage model is broken. It is rife with conflicts and doesn't always focus on investors' best interests. This is especially since the Glass Steagall Act expired in 1999, taking the last vestiges of transparency with it. Don't count on Dodd-Frank to fix things, either. As soon as one new regulation appears, Wall Street firms *innovate* their way around it…"

**Memo to SEC: Make Corporations Disclose Political Contributions!**
**(Susan Holmberg, Salon, 11/3/13)**
"A core assumption of the Supreme Court's opinion in 2010's troubling *Citizens United* case, which broadened corporations' abilities to use their money for political purposes, was that shareholders could decide for themselves whether they agreed with the ways that money was being spent…

"[But] corporations are, surprise surprise, not legally obligated to share information on political spending with their shareholders or the public. In August 2011, a group of high-profile law professors filed a petition with the Securities and Exchange Commission, calling on the agency to require public companies to disclose what corporate resources they spend on political activities because 'most political spending remains opaque to investors in most publicly traded companies…'"

**Dodd-Frank Should Let Regulatory Agencies Use Ratings, AEI Says**
**(Matt Robinson, Bloomberg BNA, 11/6/13)**
"The Dodd-Frank Act should allow regulators to reference credit ratings while eliminating their mandatory use, according to the American Enterprise Institute, which advocates for free markets.

"The 2010 legislation, which included provisions to curb the dependence on credit raters, requires agencies such as the Office of the Comptroller of the Currency, which oversees national banks and savings institutions, to 'remove any reference to or requirement of reliance on credit ratings.'"

"'Regulatory agencies could "refer to" credit ratings, which certainly makes sense, while never "requiring reliance" on them, which doesn't,' Alex Pollock, a resident fellow at the non-profit group, wrote in an article dated yesterday…"

## WALL STREET PAY AND PROFITS

**Wall St. Bonuses Over All Are Predicted to Rise 5 to 10% (Bond Traders Excluded)**
**(Rachel Abrams, NY Times, 11/6/13)**
"When it comes to compensation, it looks as if 2013 is going to be remembered as a pretty good year to have worked on Wall Street, unless you are a fixed-income trader.

“Financial advisers, asset managers and underwriting investment bankers can expect their 2013 bonuses to rise as much as 15 percent, according to a closely watched compensation survey to be released on Thursday. Over all, Wall Street employees can expect year-end bonuses to grow 5 to 10 percent on average, the second consecutive year of increases, according to the survey, produced by Johnson Associates…”

**Financial Firms Cutting Thousands of Jobs**
**(Paul Davidson, USA Today, 11/4/13)**
“Financial firms are cutting tens of thousands of jobs because of a slowdown in the mortgage business, the sluggish economy, the growth of online banking and new regulations. The sector announced 49,000 layoffs the first nine months of 2013, most among all industries, outplacement firm Challenger Gray & Christmas said in a report…”

## MORTGAGES AND FORECLOSURES

**CFPB Takes Action Against Castle & Cooke for Mortgage “Steering”**
**(CFPB, 11/7/13)**
“The Consumer Financial Protection Bureau… today announced a proposed consent order in its enforcement action against Castle & Cooke Mortgage, LLC, for allegedly steering consumers into costlier mortgages. The Bureau has asked a federal district court to approve a consent order that would provide more than $9 million in restitution for consumers and obtain $4 million in civil money penalties against Castle & Cooke and two of its officers for allegedly paying loan officers illegal bonuses.

“’Our action has put an end to illegal steering of consumers and has put more than $9 million back in their pockets,’ said CFPB Director Richard Cordray. ‘This outcome embodies our mission—to root out bad practices from the marketplace and ensure consumers are being treated fairly.’”

**Mortgage Lender Agrees to Pay Over $13 Million in Groundbreaking CFPB Action**
**(Rebecca Thiess, AFR Blog, 11/8/13)**
“In good news for future homeowners and the safety of the mortgage markets, the CFPB yesterday announced a complaint and consent decree against Castle & Cook Mortgage, LLC, for allegedly paying bonuses to loan officers who had steered consumers into costlier mortgages. The consent order requires the company to pay more than $9 million in compensation to consumers and $4 million in penalties, in addition to ending its illegal practices. This action is the first enforcing new prohibitions against the payment arrangements that reward loan officers and brokers for putting borrowers into more expensive loans. Such payments helped fuel predatory lending and the pipeline of abusive mortgages that wreaked havoc on both individual homeowners and the whole economy.”

**Why the Nation’s Housing Market Needs Mel Watt**
**(Sarah Edelman and Julia Gordon, Center for American Progress, 11/7/13)**
“Last week, Senate Republicans blocked a vote to confirm Rep. Mel Watt (D-NC), President Barack Obama’s nominee to lead the Federal Housing Finance Agency, or FHFA. This latest political obstructionism comes at a time when millions of families are finding it harder to buy a home, rent an affordable apartment, or are still at risk of losing their home to foreclosure.
In recent years, the agency’s myopic focus on restoring the short-term health of Fannie Mae and Freddie Mac—the nation’s housing-finance engines—has harmed not only individual

families but also the housing market as a whole and is stifling a robust housing recovery…

"In this column, we will explore steps FHFA can take in the near term to help the nation move fully past the housing crisis, as well as what's at stake if the Senate continues to stall and FHFA continues to ignore the nation's greatest housing challenges…"

**An Argument for Federal Involvement in Housing**
**(Jesse Eisinger, Propublica, 11/6/13)**
"Congress is debating what to do about Fannie Mae and Freddie Mac, the government-owned mortgage insurance companies that collapsed during the 2008 financial crisis.

"Worried that the government backs too many new mortgages, the Washington consensus has coalesced around a solution that looks a lot like Obamacare. The leading proposals involve getting rid of the Frannies to have private companies create mortgage-backed securities. The government's role would be to insure some of those mortgage-backed securities, to subsidize the home purchases of the disadvantaged and to regulate mortgage-market players to prevent predatory practices and risk-taking that could lead to taxpayer bailouts. Senators Bob Corker, Republican of Tennessee, and Mark Warner, Democrat of Virginia, have a bill that embodies this harmony."

**Bair to Regulators: Don't 'Eviscerate' Mortgage Rules**
**(Alan Zibel, Wall Street Journal, 11/1/13)**
"A top former U.S. banking regulator is criticizing her former colleagues, saying they should not have backed away from tougher mortgage-market rules required under the 2010 Dodd-Frank law. In a comment letter sent to banking regulators, Sheila Bair, former chairman of the Federal Deposit Insurance Corp., criticized regulators' decision to scale back a proposal to impose tougher standards on the mortgage-securities market.

"In August, six regulators — including the FDIC and Federal Reserve — reworked proposed rules requiring issuers of mortgage securities to retain 5% of the credit risk on their books. The regulators created a wide exemption for "qualified residential mortgages" that will cover most of the loans being made today…"

**House Members Press for Mortgage Rule Delay**
**(Kate Davidson and MJ Lee, Politico, 11/6/13)**
"A group of 118 House members are pressuring the CFPB to delay new mortgage rules set to take effect in January. In a letter dated Nov. 5, the lawmakers urged CFPB Director Richard Cordray to put off the rule's effective date until Jan. 1, 2015, to give banks more time to comply with a slew of new mortgage requirements under the 2010 Dodd-Frank law, including the bureau's ability-to-repay rule.

"Smaller institutions in particular may have a tough time meeting the new requirements, as many of them only have one or two compliance officers and rely on software systems to manage their operations, the letter said. The new rules released in January, coupled with amendments released over the summer, add up to more than 4,000 new pages of regulations, they said…"

**Blackstone Tests Waters With First Security Backed By Rented Homes**
**(Tracy Alloway and Anjli Raval, Financial Times, 11/3/13)**
"Investors will this week be offered the chance to buy a novel security backed by thousands of

foreclosed homes across the US purchased by the private equity giant Blackstone and converted into rental properties.

"The sale will be closely watched by bankers, hedge funds and private equity firms, with a belief that strong demand for the bonds could give birth to a new asset class and provide a fresh source of capital to finance their purchases of foreclosed houses in the US…"

**FHFA Directs Fannie Mae and Freddie Mac to Restrict Lender-Placed Insurance Practices**
**(FHFA, 11/5/13)**
"The Federal Housing Finance Agency (FHFA) announced today that it has directed Fannie Mae and Freddie Mac to prohibit servicers from being reimbursed for expenses associated with captive reinsurance arrangements. The announcement follows a Notice that FHFA published in the Federal Register last March regarding its views on these lender-placed insurance practices and accepting public input. The Notice also cited concerns that the practices expose Fannie Mae and Freddie Mac to potential losses as well as litigation and reputation risks.,,

"FHFA also established a Regulatory Working Group consisting of federal and state regulatory agencies to ensure that all parties with an interest and role in the subject of lender-placed insurance are engaged in the discussions. The views of the Working Group were carefully considered along with the more than 30 replies FHFA received from consumer advocates, state regulators, lender-placed insurance carriers, servicers, managing general agents, individuals, and trade associations in response to the Notice. Today's action reflects this input."

(See letter from 8 organizations including AFR urging the FHFA to do more to restrict force placed insurance abuses.)

**Fannie Mae Reports $8.7 Billion Profit**
**(Jon Prior, Politico, 11/7/13)**
"Taxpayer-owned mortgage company Fannie Mae earned an $8.7 billion profit in the third quarter, up from $1.8 billion one year ago, according to a financial filing today.
It's the firm's seventh-straight quarterly profit.

"Fannie will be able to pay $8.6 billion to the Treasury Department in December. After the payment the company will have returned $114 billion back to taxpayers after receiving more than $117.1 billion since it was taken over by the government in September 2008. However, the money does not go toward paying back the bailout or toward emerging out of government control. Fannie benefited from the continued rise in home prices over the period and fees from Bank of America related to a settlement earlier in the year over past mortgages the bank sold to Fannie..."

## CFPB AND CONSUMER FINANCE

**CFPB Pursuing Individuals, Seeking Admissions of Guilt**
**(Jann Swanson, Mortgage News Daily, 10/29/13)**
"It didn't attract a lot of notice at the time, but a speech last Wednesday by Consumer Financial Protection Bureau (CFPB) Director Richard Cordray appears to be making some people nervous. Cordray spoke to the Reuters Washington Summit and a story carried by the news agency quoted him as saying his agency 'is committed to going after individuals, not just

companies, when it punishes wrongdoers, reflecting a broader effort among enforcement officials to ensure penalties have real bite.'

"'I've always felt strongly that you can't only go after companies,' Reuters quotes him as saying. 'Companies run through individuals, and individuals need to know that they're at risk when they do bad things under the umbrella of a company.' Cordray said his office is also seeking admissions of wrongdoing from persons who commit these offenses."

**<u>CFPB Says a Father's Tip Sparked Probe Into Military Auto Loans</u>**
**(Alan Zibel, Wall Street Journal, 11/7/13)**
"For more than two years, the Consumer Financial Protection Bureau has built a public database of consumers' gripes, which it passes along to financial firms in hopes of getting them resolved. This week, the CFPB started taking complaints on small, short-term "payday" loans, urging consumers to submit complaints about unexpected fees or interest charges and other problems. Also this week, the CFPB published on its website more than 5,000 complaints about the debt-collection industry.

"The moves illustrate how the regulator is using input from the public to police the financial system. CFPB officials say such complaints help them figure out where to focus their supervisory efforts and find potential violations of the law."

**<u>CFPB Continues Crackdown on Auto Lending Industry</u>**
**(Rachel Witkowski, American Banker, 11/4/13)**
"Several auto lenders under investigation by the Consumer Financial Protection Bureau for potential fair lending violations are being referred to the Department of Justice, according to sources familiar with the matter… Although the firms have not been publicly identified, the agency has been probing large banks for more than a year, while it has asked several big non-banks to begin submitting data to the CFPB.

"Agency officials have argued that financial institutions are responsible for mark-ups made by dealers, including whether they disproportionately raise interest rates on minority and other protected consumers. But banks, backed by some lawmakers, have insisted they should not be on the hook for actions taken by a dealer without their knowledge."

**<u>Preventing Illegal Discrimination in Auto Lending</u>**
**(Patrice Ficklin, CFPB, 11/4/13)**
"Every year, millions of American families buy a car – and it will be one of the most significant purchases they make. One key priority for us is protecting consumers from the silent pickpocket of discrimination. Discriminatory markups in auto lending may result in tens of millions of dollars in consumer harm each year. The average loan for a new car is up to $26,691, so a higher interest rate can make the total cost of the car much higher…"

**<u>Sunlight on Remittances</u>**
**(Editorial, LA Times, 11/3/13)**
"When Congress passed the Dodd-Frank law in 2010, it included a little-noticed provision requiring financial companies and banks to provide greater disclosure to customers sending money overseas. Last week, the new rules took effect, guaranteeing consumers much-needed protections and greater transparency.
"Until now, banks and money-transfer companies have been required to comply with federal laws aimed at curbing money laundering and fighting terrorism. But there have been no federal

regulations in place mandating what they were required to disclose to consumers. It was pretty much left up to the individual companies to decide what information to provide…"

**Free FICO Credit Scores Coming To Millions**
**(Blake Ellis, CNNMoney, 11/4/13)**
"FICO scores are used by nearly every major lender to assess the creditworthiness of credit card and loan applicants. But these scores are mostly invisible to consumers, unless you go to FICO's website and sign up for a subscription of $14.95 per month -- a service you need to cancel within 10 days if you don't want to be charged anything.

"That's going to change, however. FICO announced Monday that it plans to allow any lender using FICO scores to make the scores available to consumers for free through a program called FICO Score Open Access. Barclaycard US and First Bankcard (the credit card business of First National Bank of Omaha) are the first to sign on, with free scores being made available to credit card customers starting today…"

**CFPB Takes First Step Toward Fair Debt Collection Rules**
**(Bloomberg BNA, 11/6/13)**
"The Consumer Financial Protection Bureau (CFPB) asked for comment in 90 days on a preliminary bid to craft consumer protection rules under the Fair Debt Collection Practices Act, raising the possibility that banks and other creditors could be subject to new restrictions.

"The 114-page advance notice of proposed rulemaking (ANPR) stems from the CFPB's authority under the Dodd-Frank Wall Street Reform and Consumer Protection Act to craft the first regulations under the 1977 FDCPA statute, which critics say is ill-equipped to address rapid advances in communications technology and other recent developments…"

**Will FlexScore Replace Credit Scores?**
**(Kimberly Palmer, US News.com, 11/6/13)**
"According to Jason Gordo and Jeff Burrow, creators of the new financial scoring system FlexScore, people have two main questions about their money: "How am I doing?" and "How do I improve my current situation?"

"As financial advisors, Gordo and Burrow were used to meeting with clients and trying to help them manage their money, but they were frustrated by how difficult that process could be. They wanted an easy way to give people an answer to those two big questions – an assessment of their financial well-being and a road map for improving their finances. That's why they developed FlexScore, which generates scores along with ideas for how to increase the score, based on a wide range of financial factors, including savings accounts, insurance policies and estate planning. Earning the maximum score of 1,000 means you're financially independent, Gordo explains. (The lowest score is technically a zero, but most beginners start closer to 150.)"

**Consumer Bureau Defends Data Collection**
**(Julian Hatten, The Hill, 11/7/13)**
"Collecting broad swaths of Americans' financial information is critical to monitor credit markets and protect consumers, the head of the Consumer Financial Protection Bureau (CFPB) said on Thursday.

"Richard Cordray said his agency's controversial data collection should not alarm businesses or the public and defended the practice from critics who have likened it to domestic spying programs. The information is being used to watch markets, survey its work and find sectors that are under regulated, he said…"

**Richard Cordray: Hill Scrutiny Helps Us**
**(Kate Davidson and MJ Lee, Politico, 11/7/13)**
"Consumer Financial Protection Bureau Director Richard Cordray said he tries to escape the Washington bubble by commuting to the job from his home in Ohio, but he put off any thoughts about running for public office after he was confirmed by the Senate in July following more than a year of partisan fighting over his nomination.

"As the government's top consumer watchdog, Cordray said it is helpful to get out of Washington not only because of the city's political focus but because the area is far wealthier than most of the rest of the country, which creates a bubble of its own. 'This is a place that has not necessarily seen or suffered the great recession in the same manner that I've seen in Ohio in or around my hometown,' Cordray said today at POLITICO's Morning Money Breakfast. 'I think it's very healthy for me to go to the grocery store or the barber or wherever… they tell me pretty straight."

**Banks Must Balance the Income with Possibly Angering Customer Base**
**(Robin Sidel, Wall Street Journal, 11/6/13)**
"When executives from Randolph-Brooks Federal Credit Union considered raising fees earlier this year, they decided two popular features were sacred: free checking and a seven-year-old program in which customers receive 10 cents each time they make a purchase with a debit card.
So the Texas credit union looked elsewhere to pump up its fee income. In September, it raised prices on stop-payment orders, bounced checks, money orders and other services.

"The credit union opted to raise only 'avoidable fees that don't affect everybody,' said Sonya McDonald, senior vice president of planning and market development for Randolph-Brooks, which was formed in 1952 to serve personnel at Randolph Air Force Base."

## ENFORCEMENT

**The JPMorgan Exception**
**(Editorial, LA Times, 10/30/13)**
"JPMorgan Chase is trying to reach a multibillion-dollar deal with the federal government to settle allegations of securities fraud — based largely on claims against two failing banks it rescued during the crisis at Washington's behest. The settlement apparently hinges on whether JPMorgan will be allowed to tap a government fund to cover some of the cost of the government's claims. If so, that would be a truly perverse outcome.

"The government's case stems from the sale of mortgage-backed securities — bundles of home loans that lenders didn't want to keep on their books — that failed spectacularly after the housing bubble burst. The securities in question were sold not just by JPMorgan but also by Bear Stearns and Washington Mutual, which JPMorgan later acquired on the brink of insolvency (Bear Stearns) or in government receivership (WaMu). Prosecutors contend that the banks defrauded investors by giving false information about the quality of the mortgages in the securities they sold."

**JPMorgan Chase CEO Jamie Dimon's Complicated Relationship with Washington**
**(Danielle Douglas and Steven Mufson, Washington Post, 11/1/13)**
"On a mild evening in early September, Jamie Dimon welcomed guests as they streamed onto a

rooftop venue known as the Flying Bridge overlooking Union Station and the Capitol. The chief executive of JPMorgan Chase was hosting a reception for clients, philanthropic partners and government officials, including five members of Congress. Yet there was little cause for celebration.

"Weeks earlier, JPMorgan had revealed in a Securities and Exchange Commission filing a list of state and federal inquiries that covered nearly every corner of its business empire. On the very day that Dimon's guests were taking in the intoxicating view, the bank was negotiating a series of costly prestige-damaging settlements. Dimon, who lives in New York, had come to Washington to speak at an annual meeting for investors held by the private-equity firm Carlyle Group. But he also met with reporters and visited the Office of the Comptroller of the Currency, which was pursuing at least three investigations into JPMorgan**…"**

**Royal Bank of Scotland to Pay $153.7 Million to Settle Mortgage Case**
**(Rachel Abrams, NY Times, 11/7/13)**
"The Royal Bank of Scotland agreed on Thursday to pay the Securities and Exchange Commission $153.7 million to settle charges that it misled investors into buying a risky mortgage-backed security offering, the latest move in a crackdown on mortgage practices that fueled the financial crisis.

The S.E.C. concluded that a bank subsidiary, R.B.S. Securities, had backed the offering with loans that had a high potential to default. The subsidiary, called Greenwich Capital Markets at the time, bought the loans in 2007 from Option One Mortgage Corporation. Under its agreement with Option One, a subsidiary of H&R Block, R.B.S. had to buy the loans by April 30 of that year.

In its hurry to close the deal, R.B.S. did not fully investigate the quality of the underlying mortgages, the commission said. The bank hired an outside company "to quickly conduct due diligence on a small sample" of the loans, a review that concluded that "a large number" did not meet Option One's own underwriting standards, the commission said…"

**BofA Beats Claims That It Hid AIG's Impending $10.5B Suit ( you have not underlined some of these titles – check for consistency )**
**(Evan Weinberger, Law 360, 11/4/13)**
A New York federal judge on Monday dismissed a shareholder lawsuit alleging Bank of America Corp. should have warned investors prior to American International Group Inc.'s $10.5 billion mortgage-backed securities fraud suit against the bank in August 2011. U.S. District Judge John G. Koeltl ruled that Bank of America had provided sufficient notice that it faced a raft of private litigation and enforcement actions related to mortgage-backed securities that the bank and two of its subsidiaries — Countrywide Financial Corp. and Merrill Lynch — had issued…"

**Barclays, Citigroup Hit With Forex Class Action Amid Probe**
**(Kurt Orzeck, Law 360, 11/4/13)**
"Barclays Bank PLC, Citigroup Inc. and others were slapped Friday with a New York federal class action by investors claiming the big banks' alleged manipulation of foreign exchange rates diminished their returns on trades, pension plans and savings accounts.

"Plaintiff Haverhill Retirement System says the alleged conspiracy — also involving Credit Suisse Group AG, Deutsche Bank AG, JPMorgan Chase & Co., Royal Bank of Scotland Group PLC and UBS AG — affected the pricing of trillions of dollars' worth of financial transactions in the U.S. alone..."

**FDIC Bars Bad Actors From Buying Back Assets of Failed Firms**
**(Ben Goad, The Hill, 11/6/13)**
"The Federal Deposit Insurance Corporation (FDIC) issued draft regulations Tuesday that would block people who profited at the expense of a financial company from later purchasing the firm's assets during liquidation. A provision of the Dodd-Frank Wall Street reform law, the proposed rule will be published in Wednesday's *Federal Register*, starting the clock on a 60-day public comment period…"

**A High-Speed Trader Gets a Ticket**
**(Matthew Phillips, Bloomberg Businessweek, 11/6/13)**
"In what may be the opening salvo in its war with high-frequency traders, the Commodity Futures Trading Commission just took aim at the 1,000-pound gorilla in the room. In a complaint filed Wednesday, the CFTC charged DRW Investments, one of Chicago's biggest high-frequency trading firms (and among the biggest in the world), with conducting a manipulative trading scheme that netted it a profit of at least $20 million in 2011.

"The CFTC alleges that DRW, at the behest of its chief executive officer and founder, Donald R. Wilson, used a strategy dubbed Banging the Close. Here's how it works: A firm will put on a position in a particular market and then use a flurry of fake orders at the end of the day to move prices in its favor. In this case, around July 2010, the CFTC alleges that DRW acquired a long position in an interest rate futures contract in excess of $350 million. DRW was betting that interest rates would rise over the three-month duration of the contract, sending the price of the contract higher…"

**SAC Capital Agrees to Plead Guilty to Insider Trading**
**(Peter Lattman And Ben Protess, New York TImes, 11/4/13)**
"The hedge fund titan Steven A. Cohen sat at the center of his vast trading floor on Monday, buying and selling stocks. In a sign of his enduring influence on Wall Street, he did business with major banks like Goldman Sachs and JPMorgan Chase.

"Just last week, Mr. Cohen appeared relaxed courtside at Madison Square Garden while watching the New York Knicks defeat the Milwaukee Bucks in their season opener. And he will soon be closely monitoring the auctions at Sotheby's andChristie's, which are selling about $80 million worth of art from his vaunted collection, including two Warhol paintings and a Cy Twombly sculpture.

"For the 57-year-old billionaire, it is business as usual. But on Monday, federal prosecutors announced that Mr. Cohen's firm, SAC Capital Advisors, had agreed to plead guilty to insider trading violations and pay a record $1.2 billion penalty, becoming the first large Wall Street firm in a generation to confess to criminal conduct…"

**The Impact of the Settlement on SAC Capital and Cohen**
**(Peter J. Henning, New York Times, 11/4/13)**
**"**The plea agreement between the Justice Department and SAC Capital Advisors that calls for the firm to pay almost $1.2 billion to resolve insider trading charges is carefully drafted to permit the government to continue its pursuit of Steven A. Cohen, the hedge fund firm's founder and owner. SAC has finally put the government's criminal case behind it, but Mr. Cohen remains the focus of a continuing criminal investigation and an administrative complaint filed by the Securities and Exchange Commission.

“Resolving the case was just a matter of time because SAC could put up only token resistance to fight the charges. Corporate criminal liability can be imposed based on a violation by any employee, even if the person violated the firm’s internal policies. Six former analysts had already pleaded guilty to insider trading charges. So the issue was how much SAC would have to pay and whether its guilty plea would be enough to insulate Mr. Cohen, something the Justice Department did not grant…”

## OTHER ITEMS

**Dodd-Frank Is Indeed Taking Root**
**(David Zaring, NY Times, 11/1/13)**
“The slow rollout of the Dodd-Frank Act has left many frustrated, but in reality, much progress has been made in shaking up the financial industry. To size up any new law, it’s best to examine the progress it has made in three stages: a congressional stage, where the law is passed; an agency stage, where the rules to are written; and [a] judicial stage, in which the courts say whether the rules that the agencies wrote can actually be imposed on the industry.

“The agency stage has been a case study in slow progress. But the good news for the government is that, in the early days of judicial review, it is holding up reasonably well. Perhaps the time spent fashioning and justifying the many rules required under Dodd-Frank is paying some dividends…”

**Manchin Presses Yellen On Banking Rules**
**(Ben Goad, The Hill, 11/6/13)**
“Sen. Joe Manchin made a case for careful regulation of the nation’s community banks during a meeting Wednesday with President Obama’s nominee to head the Federal Reserve, the West Virginia Democrat said. Janet Yellen, currently the central bank’s vice chairwoman, is making the Senate rounds as she seeks to build support for her confirmation to the succeed Ben Bernanke in the chairmanship.

“Following her meeting with Manchin, the senator issued a statement complimenting Yellen’s ‘honest and straightforward approach,’ though he did not say whether he would support her confirmation…”

**Bitcoin at Record as U.S. Senate Seeks to Discuss Virtual Money**
**(Olga Kharif and Max Raskin, Bloomberg, 11/8/13)**
“Bitcoin’s price climbed to a record at $330.01 on the BitStamp online exchange, as U.S. senators scheduled a hearing to discuss the future of the digital money and other virtual currencies.

The U.S. Senate Committee on Homeland Security and Governmental Affairs will meet on Nov. 18 “to explore potential promises and risks related to virtual currency for the federal government and society at large,” it said in a statement today.

The price of Bitcoins has more than doubled even after the closing five weeks ago of the “Silk Road Hidden Website,” where people could obtain drugs, guns and other illicit goods using Bitcoins. While the digital money lost a third of its value in the days after the website was shut down, it’s becoming an increasingly popular way of paying for goods and services on the Web and in stores that accept the tender.

**A Wall Street Trading Tax Could Actually Save Grandma Money**
**(Nicole Woo, Center for Economic Policy Research, 11/7/13)**
"One of the worries raised… is that regular investors, especially retirees, would be impacted by this tiny fee. The fact is that the vast majority of the tax would be paid by the financial world's high-rolling speculators and high-frequency traders, who are effectively cutting in line by trading thousands of times per second, extracting profits ahead of the rest of us with their high-powered computers.

"But there's more. Economic research has shown that traders respond to higher transaction costs by slowing down their rate of trading. When a mutual fund manager reduces churning, that would likely result in LOWER overall costs for the regular investors in that fund..."

**Warren Says U.S. Political System 'Rigged' by Special Interests**
**(Cheyenne Hopkins, Bloomberg, 11/7/13)**
"U.S. Senator Elizabeth Warren said the political system is still 'rigged' by lobbyists and special interests who work to keep the public 'in the dark.'

"'I've been in the Senate for nearly a year and believe as strongly as ever that the system is rigged for powerful interests and against working families,' Warren said today in remarks prepared for speech at a National Consumer Law Center conference in Washington.

"Warren, a Massachusetts Democrat, said lobbyists have worked to undercut gun control measures and the Consumer Financial Protection Bureau, which she helped create. Warren, a critic of Wall Street, rose to prominence by highlighting 'tricks and traps' of credit-card disclosures and creating a consumer bureau as part of the 2010 Dodd-Frank Act…"