THIS WEEK IN WALL STREET REFORM

TABLE OF CONTENTS

CFPB and Consumer Issues ... 4

Republican Vow of Revenge Falls Short ... 4

NAFCU: Challenges to Recess Appointments and the Impact on Credit Unions ... 4

Consumer Issues ... 4

AFR Letter: Don’t Cripple the CFPB, Reject HR 1355 & 2081 ... 4

The GOP’s new push to defang the CFPB ... 4

U.S. House to move to protect bank information ... 5

Consumer Bureau Threatens Banks' Credit Card Protection Profits ... 5

Users of Citibank Bill-Pay App Charged Twice ... 5

Rent-A-Center CEO: New Consumer Bureau Won't Have Authority Over Us ... 5

Survey: 610,000 switched banks to protest debit card fees ... 6

Want to switch banks? There’s a fee for that ... 6

CRL Response to Wall Street Journal Editorial (1/31/12) on Payday Lending ... 6

Susan Antilla: Debit-Card Pitchwoman Orman Flirts With Conflict ... 6

Shadow Markets and Systemic Risk ... 7

AFR Comment Letter: AFR Supports a Direct Monitoring Approach for Asset Backed Securities ... 7

AFR Letter: Oppose HR 3283 ... 7

US Fin Industry Warns Vs Swaps Regs Cross-Border Over-Reach ... 7

U.S. Sets Money-Market Plan ... 7

The SEC gets closer to regulating money-market funds ... 7

Fed Delays Vote on Capital One Deal for ING Direct ... 8

Wall Street Groups Seek to Delay CFTC Limits on Speculation ... 8

CEPR - A Primer on Private Equity at Work: Management, Employment, and Sustainability ... 8

Former CFTC Commissioner Dunn Joins Patton Boggs Law Firm ... 8

Commodity Speculation ... 8

Stopgamblingonhunger.com: The West can alleviate hunger by curbing food speculation and land-grabs ... 8

Volcker Rule ... 8

AFR E-Alert: Tell the Financial Regulators: Don’t Let Big Banks Make Taxpayer-Backed Bets ... 8

Goldman executive talks up Volcker rule ... 9

MF Global ... 9

MF Global judge to examine insurance for ex-execs ... 9

S&P cuts CME Group rating due to MF Global risk ... 9

Customers seek access to MF Global insurance sums ... 9

International ... 10

Greece eurozone bailout: Coalition hit by defections ... 10

Foreclosures and Housing **10**
U.S. Banks, Regulators Settle on Foreclosure Fines 10
Why Millions Won't Get Help From Big Mortgage Settlement 10
Left wary of Obama's mortgage win 10
Massive Mortgage Settlement a Win for Obama Administration 11
Morning Money Interview: California AG Defends Mortgage Deal 11
Compilation of Statements Responding to Deal 11
Morning Money: Mortgage Deal Fly Around 12
In Obama's Refinancing Plan, Homeowners to Pay a Premium 13
Bank Is Victim in Financial Crisis Case, Not Homeowners 13
The Housing Bottom is Here 13
Gordon Whitman: Time for New Leadership at Fannie and Freddie: Obama Should Side With Homeowners over Wall Street 13
Executive Compensation **14**
Credit Suisse Bonus-Bond Deferral Spares Investment-Bank Profit 14
On 'Bleak' Street, Bosses in Cross Hairs 14
Corporate Groups Seek SEC Roundtable on Pay Ratio Disclosure 14
Student Lending **15**
S&P Warns Student Loans May Be The Next Bubble To Burst In US Economy 15
Auto and Student Loans Drive Borrowing Surge 15
NACBA Survey: 4 out of 5 U.S. Bankruptcy Attorneys Report Major Jump in Student Loan Debtors Seeking Help 15
FTT **15**
Algirdas Semeta: Rebalancing the financial transactions tax debate 15
EU Barnier: Financial Transactions Tax Is Sensible In Economic Terms 16
Big Banks, Money, and Politics **16**
House passes Republican-written insider trading bill that has heavy Wall Street influence 16
Obama Campaign Chief Messina Seeks to Assure Wall Street Donors 16
Harold Meyerson: Wall Street's Third Party 16
Democrats Court Big Donor for PAC 17
Financial Services Institute: FSI Releases Poll of Nearly 3,000 Financial Advisors 17
Other **17**
Rep. Bachus faces insider-trading investigation 17
Geithner Says Dodd-Frank Opponents Add to Market Uncertainty 17
The SOX Win: How Financial Regulation Can Work 18
Matt Taibbi: Why Wall Street Should Stop Whining 18
The End of Wall Street As They Knew It 18
Broken budget process hurts Wall Street reform 18

Bernanke tells Senate: Focus on growth now, deficit cuts later 19
Obama nominates JP Morgan executive to FDIC board 19
Upcoming Events 19

CFPB and Consumer Issues

Republican Vow of Revenge Falls Short
Jonathan Weisman (NYT)
February 9, 2012

"The 'heck no' caucus in the Senate fizzled in its first test. After President Obama stiff-armed the Senate in January and made four recess appointments, even though the Senate was technically not in recess, some Republicans vowed revenge. They said they would oppose every Obama nominee for the rest of the year, no matter who it was, no matter how bipartisan the support. But from the start, it was clear many Republicans were squeamish about such a blanket tactic, and in their first engagement with the enemy on Thursday, the revenge seekers lost. Cathy Ann Bencivengo, nominated to be a United States district judge for the Southern District of California, was confirmed, 90 to 6." Click here for more.

NAFCU: Challenges to Recess Appointments and the Impact on Credit Unions
Steve Van Beek (National Association of Federal Credit Unions)
February 8, 2012

"There has been quite a bit of news recently about challenges to the constitutionality of President Obama's recess appointments - including of CFPB Director Richard Cordray. The National Federation of Independent Business (NFIB) has challenged the appointment (Businessweek.com) of three appointments to the National Labor Relations Board (NLRB). This challenge was added to an existing lawsuit challenging a new regulation issued by the NLRB which would require notices to employees of their right to unionize. This is the same NLRB notice that we've blogged about here and here (and which goes into effect April 30, 2012). As reported in the NAFCU Today yesterday, 39 Republican Senators have pledged their intent to join the lawsuit challenging the constitutionality of the NLRB appointments. The Senators have sent a letter demonstrating their intent to challenge both the CFPB and the NLRB appointments (Politico.com). As of today, there is not a lawsuit challenging Cordray's appointment even though the NLRB lawsuit involves some of the very same legal questions. …As we blogged on after Cordray's appointment, the CFPB gained power to enforce the "enumerated consumer laws" on July 21, 2011. This power was not contingent on the CFPB having a Director. Thus, even without a Director the CFPB had full authority to propose and finalize regulations implementing the consumer laws that applied to depository institutions - such as Regulation Z and Regulation E. For example, even without a Director the CFPB's could have finalized the recent regulation on remittances. CFPB's New Powers. The CFPB did obtain new powers when Cordray was appointed Director. While the CFPB's use of these powers could be challenged - *they would still be the law of the land. For example, the CFPB's ability to declare a certain activity as an 'unfair, deceptive or abusive act or practice' (UDAAP) would be done through the CFPB's new powers with a Director. While the CFPB's use of its UDAAP power* could be challenged, *credit unions would need to follow the CFPB's requirements even during a challenge. Summary. In short, credit unions will need to comply with the CFPB's mandates even if there are ongoing challenges to the CFPB's authority." Click here for more.*

<u>Consumer Issues</u>

AFR Letter: Don't Cripple the CFPB, Reject HR 1355 & 2081

Click here to view the letter that was submitted to the House Financial Services Subcommittee on Financial Institutions tonight in preparation for tomorrow's hearing urging members to reject HR 1355 and HR 2081.

The GOP's new push to defang the CFPB
Suzy Khimm (WP)
February 8, 2012

"Republicans couldn't stop President Obama from installing Richard Cordray as director of the Consumer Financial Protection Bureau. But they hope they can rein the bureau in by passing legislation. The House GOP is now moving forward with bills that would remove the CFPB director from overseeing the Federal Deposit Insurance Company and allow Congress to directly control its funding every year. The bills are DOA in the Democrat-controlled Senate. But the GOP's new bills provide a clear guide to what is likely to happen to the CFPB if Republicans take full control of Congress and/or the White House." Click here for more.

Click here to view/read testimony from the hearing entitled "Legislative Proposals to Promote Accountability and Transparency at the Consumer Financial Protection Bureau," including testimony from Mr. Arthur E. Wilmarth, Jr.

Click here to view Professor Wilmarth's working paper "The Financial Services Industry's Misguided Quest to Undermine the Consumer Financial Protection Bureau". The paper is forthcoming in the Spring 2012 issue of the *Review of Banking and Financial Law* at Boston University Law School and was featured at AFR's **symposium** "Independent Consumer Regulator Or Unaccountable Agency? Prominent Academic Experts Discuss the Powers, Checks and Balances and Structure of the Consumer Financial Protection Bureau (CFPB)."

U.S. House to move to protect bank information
Dave Clarke (Reuters)
February 8, 2012

"House Republicans on Wednesday said they will soon move legislation that would make it more difficult for consumer advocates or other groups to obtain sensitive information that banks share with the new Consumer Financial Protection Bureau. In a rare moment of political harmony over the bureau, some Democrats said they are on board with the change. 'I support the goal of this bill,' Carolyn Maloney, a senior Democrat on the House Financial Services Committee, said on Wednesday at a congressional hearing with an agenda that included legislation for the added legal protection." Click here for more.

Consumer Bureau Threatens Banks' Credit Card Protection Profits
Victoria Finkle and Jeff Horwitz (American Banker – subscription required)
February 6, 2012

"For a product claiming to protect consumers from unforeseen misfortunes, banks' credit card payment protection plans have made plenty of enemies. A federal probe could give those opponents the upper hand for the first time. Attorneys general and plaintiffs' lawyers have long alleged that payment protection plans, which promise to delay or cancel debts in the event of unemployment, illness, or death, are a poor value and sold to people who don't want them or can't use them. Banks return only 21 cents of every dollar in payment protection premiums to consumers in the form of suspended or cancelled debt, a gross payout ratio that would be flatly illegal if the products were categorized as insurance. But thanks to a series of regulatory and judicial decisions favorable to the banking industry, defeating or settling the legal complaints has historically been cheap. Compared to annual profits of $1.3 billion on payment protection products, the industry's tens of millions of dollars in legal costs are a rounding error." Click here for more.

Users of Citibank Bill-Pay App Charged Twice
Ben Protess (DealBook/NYT)
February 9, 2012

"Citigroup's effort to become 'the world's digital bank' has encountered a snag. A technical bug caused Citi, the nation's fourth largest bank by deposits, to double the charge for customer payments in recent months. Some customers using their iPads to settle their cable bill or mortgage payment, for example, actually paid twice, according to customers and a bank official. The problem, which began in July but went undetected by the bank until December, prompted bogus payments big and small. Some customers quickly spotted the redundant transaction and complained to Citi, while other consumers were caught off guard when the bank recently notified them of the discrepancy. The snag even led some unsuspecting customers to overdraw their accounts, though a bank spokesman said that was rare. … 'It's very challenging to really pinpoint the number of customers affected,' Mr. Albertazzi said. 'It's the nature of the beast." Click here for more.

Rent-A-Center CEO: New Consumer Bureau Won't Have Authority Over Us
Alice Hines (Huffington Post)
February 3, 2012

"Ahead of Sunday's Super Bowl, many cash-strapped football fans will head to Rent-A-Center, America's largest "rent-to-own" retailer, to look for TVs. The store is advertising a LG 60-inch-wide high-definition TV -- on which you can watch Rent-A-Center's own pregame show with Troy Aikman -- for what seems like a very low price of $29.99 a week, with no down payment or credit check. The fine print of the ad reveals the catch:

If you want to keep the TV, those $30 payments will continue for 104 weeks, adding up to a total price of $3,118.96. That's double the $1,559.48 you would pay if you bought the TV outright, without paying in installments. On Amazon.com, the same TV costs $999.99. Consumer advocates say that the high interest rates that Rent-a-Center effectively charges are no different from the sky-high terms offered by payday lenders. Now, some are looking to Richard Cordray, recently installed at the helm of the newly created Consumer Financial Protection Bureau, to rein in the retailer. But on Tuesday, Rent-A-Center CEO Mark Speese didn't seem concerned about the prospect of regulation. 'Nothing has really changed at this point,' Speese told his company's investors during Tuesday's conference call with analysts. '[Richard Cordray] doesn't have any authority still.'" Click here for more.

Survey: 610,000 switched banks to protest debit card fees
E. Scott Reckard (LA Times)
February 6, 2012

"About 610,000 U.S. bank customers switched to a smaller institution in the last three months of 2011 to protest plans by major banks to impose monthly charges for using debit cards, according to a financial services market-research firm. That represented 11% of the 5.6 million U.S. people who switched banks during that period -- a relatively modest number, Javelin Strategy & Research said in a report Monday." Click here for more.

Want to switch banks? There's a fee for that
Todd Wallack (Boston Globe)
February 9, 2012

"Upset about bank fees? Want to close your bank account? No problem, your bank says. Just one catch: There may be a fee for that. Many banks across the country, including several in Massachusetts, are charging customers if they close a checking or savings accountwithin several months of opening it. Boston-based Sovereign Bank, Citibank, PNC Bank, and U.S. Bank charge $25. Some smaller financial institutions demand up to $50 to close an account. The fees, while not new, are attracting more scrutiny from consumers, lawmakers, and regulators as customers have become more aware and increasingly disenchanted with new and higher fees imposed by banks. US Representative Brad Miller, a North Carolina Democrat, recently introduced legislation to prohibit banks from charging customers fees to close a personal checking or savings account. 'It is really hard to change banks,'' Miller said." Click here for more.

CRL Response to Wall Street Journal Editorial (1/31/12) on Payday Lending
Center for Responsible Lending
February 7, 2012

"Dear Wall Street Journal: Your editorial, 'Bashing Payday Lenders; Obama targets another industry that serves low-income Americans,' is wrong on every point. Payday lending doesn't help low-income families; it traps them in a cycle of debt leaving them worse off. Imagine paying $90 dollars in interest each month if you carried a $300 credit card balance that you couldn't afford to pay off all at once. This is essentially how payday loans operate. Just like unfair overdraft fees and other high-cost products, it's a bad deal." Click here for more.

Click here to read the WSJ editorial.

Susan Antilla: Debit-Card Pitchwoman Orman Flirts With Conflict
Susan Antilla (Bloomberg)
February 5, 2012

"*Suze Orman, the ubiquitous guru of personal finance, released a new book on Jan. 10, and her fans couldn't part with their $16 a copy fast enough. In less than two weeks, 'The Money Class' rose to fourth place among paperback advice books on the New York Times best-seller list. That Orman's latest work would be a winner was predictable. It is her 10th best-seller catering to an audience that has come to trust and even idolize her. Less predictable was what readers saw when they got to page 24: a shameless tout for Orman's own branded Approved Card, a prepaid MasterCard debit card that she had introduced a day before the book came out." Click here for more.*

Go Back to Table of Contents

Shadow Markets and Systemic Risk

AFR Comment Letter: AFR Supports a Direct Monitoring Approach for Asset Backed Securities

Click here to view the comment letter to the FDIC, OCC, and Federal Reserve Board in response to their joint request for comment on new rules replacing the use of credit ratings in setting capital requirements for debt and securitization positions held by banks.

AFR Letter: Oppose HR 3283

Click here to view the letter to members of congress urging them to reject HR 3283, a bill that would exempt foreign affiliates of U.S. banks from all the major protections against derivative risks contained in Title VII of Dodd-Frank.

US Fin Industry Warns Vs Swaps Regs Cross-Border Over-Reach
Market News International
February 7, 2012

"As Congress is stepping up efforts to assess consequences of the implementation of Dodd-Frank on U.S. financial firms' international activities, industry experts are prepared again to warn against what they consider to be over-reaching regulation, this time regarding derivatives markets. The House Financial Services Subcommittee on capital markets is holding a hearing Wednesday at 2:00 pm ET on "Limiting the Extraterritorial Impact of Title VII of the Dodd-Frank Act," a regulation addressing derivatives markets, notably swap markets. In particular, Title VII imposes swap dealers registration, as well as requirements on clearing, record keeping and transaction reporting. The Commodities Futures Trading Commission and the Securities and Exchange Commission are the regulators." Click here for more.

Click here to view/read testimony from the hearing entitled "Limiting the Extraterritorial Impact of Title VII of the Dodd-Frank Act."

U.S. Sets Money-Market Plan
Andrew Ackerman and Kirsten Grind (WSJ – subscription required)
February 7, 2012

"Regulators are completing a controversial proposal to shore up the $2.7 trillion money-market fund industry, more than three years after the collapse of Lehman Brothers Holdings Inc. sparked a panic that threatened the savings of millions of investors and forced the federal government to intervene. The Securities and Exchange Commission in the coming weeks will unveil a two-part plan to stabilize money funds, which invest in short-term debt instruments and are designed to be safe and readily accessible to investors, according to people familiar with the matter. At least three of five SEC commissioners would need to approve the proposals to submit them for public comment." Click here for more.

The SEC gets closer to regulating money-market funds
Felix Salmon (Reuters)
February 7, 2012

"Banks need to be regulated. Depositors can't be expected to do due diligence on their financials, so you need deposit insurance. And in turn, the government — which provides the deposit insurance — needs to make sure that the banks have certain minimum levels of capital. Otherwise, the insurance fund will go bust in no time. All of this is wholly uncontroversial — until you get to the subject of money-market funds. At heart, as they exist today, MMFs are banks. They borrow money which is repayable on demand, and they lend it out for fixed terms, taking a certain amount of credit risk while doing so. If their borrowers fail to repay the money, or if their depositors all demand their money back at once, then they'll be left needing to be bailed out." Click here for more.

Fed Delays Vote on Capital One Deal for ING Direct
Ben Protess (DealBook/NYT)
February 9, 2012

"The Federal Reserve has postponed until Monday its plans to vote on Capital One's $9 billion takeover of ING Direct. The Fed released a brief statement on Wednesday saying it had postponed a closed-door meeting about the deal, though it did not explain the cause of the delay. According to Capital One, Fed officials attributed the switch to scheduling problems. But it is unclear whether the last-minute delay — announced less than an hour before the board was scheduled to meet — may also indicate dissent among the Fed's governors. Capital One needs support from a majority of the five governors to obtain approval." Click here for more.

Wall Street Groups Seek to Delay CFTC Limits on Speculation
Tom Schoenberg (BusinessWeek)
February 08, 2012

"Two Wall Street groups asked a federal judge to delay a U.S. Commodity Futures Trading Commission rule that limits speculation, saying the regulation is already imposing 'significant, irreversible costs.' The International Swaps and Derivatives Association Inc. and the Securities Industry and Financial Markets Association filed a request yesterday with U.S. District Judge Robert Wilkins in Washington, urging him to put the rule on hold while he considers their legal challenge." Click here for more.

CEPR - A Primer on Private Equity at Work: Management, Employment, and Sustainability
Center for Economic and Policy Research
February, 2012

"A new working paper by Eileen Appelbaum of CEPR and Rosemary Batt of Cornell University pulls from a widely-cited body of research to illuminate some of the major controversies surrounding private equity including whether private equity creates or destroys jobs, whether it provides better returns than the broad stock market to investors, and whether the debt burden assumed by firms acquired by private equity substantially increases the risk of bankruptcy." Click here for more.

Former CFTC Commissioner Dunn Joins Patton Boggs Law Firm
Silla Brush (Bloomberg)
February 7, 2012

"Michael V. Dunn, former member of the U.S. Commodity Futures Trading Commission, has joined Patton Boggs LLP, a Washington law and lobbying firm. Dunn is a senior policy adviser at Patton Boggs, the firm announced today. He was a CFTC commissioner for about seven years before stepping down on Oct. 24. The CFTC, the main U.S. derivatives regulator, is leading efforts to complete Dodd-Frank Act rules by 2013." Click here for more.

Commodity Speculation

Stopgamblingonhunger.com: The West can alleviate hunger by curbing food speculation and land-grabs
Brennan (Stopgamblingonhunger.com)
February 7, 2012

"A recent Radio Netherlands Worldwide article connects food speculation and land-grabs as significant drivers of world hunger. Dr. Dirk Bezemer, Associate Professor of Development Economics at the University of Groningen, the Netherlands, says, "The role of the West [in solving the food crisis] will diminish in the long term, but in the meantime Western countries can help by curbing food speculation" and ending land-grabbing." Click here for more.

Volcker Rule

AFR E-Alert: Tell the Financial Regulators: Don't Let Big Banks Make Taxpayer-Backed Bets

"The 'Volcker Rule' is a part of the Dodd-Frank Wall Street reform bill that bans banks and other large, critical financial institutions from making risky, speculative bets using taxpayer backed funds – a practice called

'proprietary trading.' Proprietary trading can be as simple as speculating on the direction of a stock or as involved as using computerized algorithms to bet on spreads between complex financial instruments. Big banks have raked in billions on these risky bets. But when they bet and lost, we bailed them out." Click here to view the e-alert.

Goldman executive talks up Volcker rule
Tracy Alloway in New York (FT – registration required)
February 8, 2012

"A senior Goldman Sachs executive told an industry conference that a ban on speculative trading at commercial banks could end up improving profitability, breaking with the consensus about the effects of the new financial regulation. David Viniar, chief financial officer of Goldman Sachs, presented a markedly different view about the implications of the Volcker rule, which aims to curb so-called proprietary trading, in remarks at a financial services forum hosted by Credit Suisse in Miami. … 'Ultimately, it could lead to lower dealer inventory levels and could be [return-on-equity] enhancing as we adapt to a less capital intensive business model,' Mr Viniar said in prepared remarks. … 'In our view, the current return profile of our industry is principally driven by cyclical factors as opposed to regulations that haven't been finalised or implemented,' Mr Viniar said. 'Regardless of your view, it is clear that the current environment presents a series of challenges and opportunities, which must be effectively navigated in order to provide shareholders with acceptable returns.'" Click here for more.

MF Global

MF Global judge to examine insurance for ex-execs
Jonathan Stempel (Reuters)
February 9, 2012

"The U.S. judge overseeing MF Global's bankruptcy plans a closer review before deciding whether any of an estimated $190 million of insurance coverage for former company executives should instead go to customers. Opponents of the plan to cover former executives, including at least four customer groups, believe the funds should not go to people they hold responsible for the collapse of the futures brokerage. The $190 million includes at least $120 million covering the period surrounding the company's demise." Click here for more.

S&P cuts CME Group rating due to MF Global risk
Tom Polansek (Reuters)
February 8, 2012

"CME Group Inc faces legal, regulatory and reputational damage from the failure of MF Global, Standard & Poor's said on Wednesday as it lowered the exchange operator's rating. The downgrade is the latest blow for CME from MF Global, widening the impact of the collapse that shook confidence in futures markets and revealed hundreds of millions of dollars were missing from clients' accounts at the brokerage. Credit-rating agency S&P warned CME's grade could drop again due to the bankruptcy." Click here for more.

Customers seek access to MF Global insurance sums
Nick Brown (Reuters)
February 7, 2012

"Customers of MF Global's broker-dealer unit say at least $120 million in insurance policies for the company's executives should instead go toward filling a massive hole in their accounts. At least four customer groups on Tuesday objected to a stipulation that would allow MFG Assurance Co Ltd, MF Global's insurer subsidiary, to continue to pay any defense costs that arise from MF Global's collapse, either on behalf of the company itself or its executives. Customers of the broker-dealer are still missing roughly 28 percent of the value of their accounts -- an estimated $1.2 billion -- that the company used to fund corporate transactions in the days leading up to its Oct. 31 collapse, according to a report Monday from James Giddens, the trustee liquidating the brokerage." Click here for more.

International

Greece eurozone bailout: Coalition hit by defections
BBC
February 10, 2012

"The deputy foreign minister and three ministers from the far-right Laos party quit, amid protests and a 48-hour strike over the austerity proposals. Greek leaders have been frantically trying to agree swingeing cuts demanded by the EU and IMF in return for a new 130bn-euro ($170bn; £110bn) bailout. The deal is still expected to pass a parliamentary vote set for Sunday. The Laos party complained that Greeks were being humiliated by Germany, and announced its 15 deputies would not back the austerity measures." Click here for more.

Click here for more.

Go Back to Table of Contents

Foreclosures and Housing

U.S. Banks, Regulators Settle on Foreclosure Fines
Nelson D. Schwartz and Julie Creswell (NYT)
February 9, 2012

"As state and federal authorities announced the details of their $26 billion mortgage settlement with big banks on Thursday, millions of American homeowners were hoping that this time they would finally get relief. Some, like Jessica Cooper of Toledo, Ohio, will discover the program's limitations. Since she was laid off in June 2009, Ms. Cooper and her husband have been pressing Bank of America to modify the terms of the $112,000 mortgage on their home. But because the loan is owned by the Federal Housing Administration, it is not covered. Similarly, Carlos Sandoval de Leon has been seeking a break from Wells Fargo on the $662,000 he owes on a Brooklyn brownstone. But because that mortgage is held by a private investor, it too falls outside the scope of the agreement, which mostly covers loans held by the banks themselves." Click here for more.

Why Millions Won't Get Help From Big Mortgage Settlement
Cora Currier (ProPublica.org)
February 9, 2012

"The Obama administration is billing today's $25 billion agreement between most states and five banks that engaged in flawed or deceptive practices as a big win for struggling homeowners. Most of the money in the settlement isn't a penalty, or a fine levied on the banks. Instead, the biggest slice of the settlement will be money banks put toward principal reduction -- reducing the amount owed by struggling or underwater borrowers. (Banks will also put smaller amounts toward refinancing and other ways of helping people get back in control of spiraling debt.) Getting a break on their mortgages could help the millions of homeowners who owe more on their home than it is worth. But many of them won't qualify -- thanks to government-owned Fannie Mae and Freddie Mac." Click here for more.

Left wary of Obama's mortgage win
Joseph Williams (Politico)
February 9, 2012

"For the Teddy Roosevelt-style populist message President Barack Obama's putting together for his reelection campaign, Thursday's $26 billion mortgage settlement with the nation's five largest banks has the potential to be a very big stick. But for many in the president's base, it's a reminder of all that he hasn't done and how long it's taken him to accomplish the settlement. The White House-engineered deal, the largest joint settlement in American history, gives the president a new and significant talking point as he continues to build on the theme he unveiled in December in Osawatomie, Kan., that's set to help define his reelection effort. …"I do think there is incredible alignment between the arguments and issues the president raised in [the] Kansas speech," said Tara McGuinness, a senior fellow at the Center for American Progress. The theme, she said, is "making an economy that works for all Americans, not just the wealthy few — and the

things progressives have been fighting for for years.' …The remaining liberal skeptics include Elizabeth Warren, a top Obama ally who is running for the late Sen. Ted Kennedy's Massachusetts seat. 'It needs to be the beginning, not the end of efforts to hold the big banks accountable with meaningful penalties that demonstrate the rules and the law apply to everyone,' said Warren, Obama's former financial adviser and the architect of the Consumer Financial Protection Bureau. 'Moving forward, further investigation and prosecution are needed to bring our long national mortgage nightmare to an end.' ***Dean Baker,*** *a liberal economist, said the settlement agreement "doesn't accomplish much" to help homeowners." Click here for more.*

Massive Mortgage Settlement a Win for Obama Administration
Stacy Kaper (National Journal)
February 9, 2012

"The $25 billion mortgage-servicing settlement that federal and state prosecutors announced on Thursday with the nation's largest lenders is a much-needed boost to the Obama administration's dismal housing scorecard. Although much of the initial grunt work to investigate and hold lenders accountable for questionable foreclosure practices was undertaken by ambitious and frustrated state attorneys general, such as Iowa's Tom Miller, pressure from the administration and negotiations by regulators at the Justice and Housing and Urban Development departments played a major role in closing the deal and persuading wayward and significant states such as California and New York to sign on." Click here for more.

Morning Money Interview: California AG Defends Mortgage Deal
Ben White (Politico's Morning Money)
February 10, 2012

"*M.M. spoke with California Attorney General Kamala Harris, a rising star in the Democratic Party, about criticism from the left that the $26 billion mortgage servicer settlement isn't big enough to make a difference in the housing market and doesn't do enough to punish banks: 'We have preserved our ability to do securities fraud claims ... We have maintained our ability to continue criminal investigations of false claims - have a strong False Claims Act in California - as well as bring civil rights actions ...We got $18 billion for California and we tore up a blank check of immunity. I declare that a success for this piece of it. But this is only part of our broader focus. ... The longer lasting impact will come through legislative reforms ... I've called on [FHFA Acting Director Edward] DeMarco step aside [over his resistance to principal reduction.] Principal reductions are imperative. If he can't understand that's an essential principle he should step aside.'... Harris said she held out for so long in large part to guarantee strong enforcement mechanisms in the deal: '[The delay] was about our ability to enforce promises ... Those details were very important to us. The bigger points were in contention earlier, the principal reductions and relief for homeowners. But we were burned by our experience with Countrywide and the lesson for me is that we like to trust promises but we have to have the ability to enforce them.'"*

Click here to view the Department of Justice's official press release.

Compilation of Statements Responding to Deal: Better Markets - "Robo-Signing Bank Settlement is a Criminal Sell Out", Mike Lux - "The Long War", PICO - "Small Down Payment Towards Full Relief for Homeowners", The New Bottom Line – "Tiny Drop in a Big Bucket", Rebuild the Dream – "$25 billion down, $675 billion to go", NakedCapitalism – "The Top Twelve Reasons Why You Should Hate the Mortgage Settlement" , The Campaign for a Fair Settlement – "Foreclosure Deal Paves Way for Full Investigation Into Banks Over Economic Crash", Center for Responsible Lending – "AG Settlement Ends Robo-Signing and Provides a Model for Preventing Foreclosures", ESOP - "Cautious About the Bank Robo-Signing Settlement", Leadership Conference on Civil and Human Rights - "Mortgage Settlement is 'One Significant Step on a Long Path' for Homeowners", National Fair Housing Alliance – "An Important First Step", National Council of La Raza – "A Win for Struggling Homeowners, and U.S. PIRG – "Settlement of Robo-Signing Claims With Big Banks Is Important Step".

Morning Money: Mortgage Deal Fly Around
Ben White (Politico's Morning Money)
February 10, 2012

"HOPES RISE FOR ECON BOOST *- WSJ's Nick Timiraos and Ruth Simon on pg. A1: 'The ... settlement ... will provide financial relief to an estimated one million at-risk borrowers, raising new hopes for an economy still hurting from the mortgage bust. ... The largest portion of the aid, valued at $17 billion, goes to borrowers at risk of foreclosure. While the deal won't be a cure-all for the housing market ... the settlement also includes a provision that will let some homeowners who are current on payments refinance mortgages even though they owe more than their homes are worth. ... But the devil could be in the details of the long-awaited deal. The exact wording hadn't been fully settled even as the deal was publicized. Likely pressure points include the scope of the potential legal claims the states have surrendered in certain areas where they have agreed not to sue the banks, and how banks will satisfy various terms requiring them to help troubled housing markets.' http://on.wsj.com/yPlEIT* ***OR MAYBE NO BOOST?*** *- NYT's Nelson D. Schwartz and Julie Creswell on pg. B1: 'Economists do not expect a big boost for the economy, in part because the banks have three years to distribute the aid. Some experts questioned whether the accord would do much to stabilize the housing market and its glut of millions of foreclosed homes. Critics also pointed to the fact that millions of mortgages owned by the government's housing finance agencies, Fannie Mae and Freddie Mac, would not be covered ... Homeowners in two states - Florida and California - will reap more than half of the $26 billion settlement, a reflection of the disproportionate number of loans that are delinquent or exceed the value of the underlying property there, government regulators said. The amounts from individual banks were linked to their share of the servicing market. The biggest, Bank of America, would provide $11.8 billion, followed by $5.4 billion from Wells Fargo, $5.3 billion from JPMorgan Chase, $2.2 billion from Citigroup and $310 million from Ally' http://nyti.ms/y8EBbH* ***VERY LIMITED IMMUNITY*** *- Reuters' Felix Salmon: 'The biggest worry was that the attorneys general would give away the shop in return for big headlines. While in fact they seem to have been quite successful at limiting the immunity that the five banks ... are going to receive: In the agreement's expected final form, the releases are mostly limited to the foreclosure process, like the eviction of homeowners after only a cursory examination of documents, a practice known as robo-signing. The prosecutors and regulators still have the right to investigate other elements that contributed to the housing bubble ... If you're a bank shareholder breathing a sigh of relief, then, don't. The only thing you're protected against, now, is lawsuits over robosigning. Were those likely to cost $25 billion if they had gone to court? It seems unlikely to me that they could have raised that much.' http://reut.rs/zCIKaY* ***NOT A HUGE NUMBER*** *- Slate's Matthew Yglesias: 'I don't want to be the kind of guy who sniffs at a $26 billion settlement, but the reality is that's a relatively small amount of money. It's small relative to the $250 billion (nominal) tobacco settlement from the late 1990s. Some federal officials say the real number is closer to $39 billion, but even if so that's a relatively small amount. Certainly it's small relative to the $700 billion in total underwater mortgage debt outstanding in the United States. ... Private rights of action about foreclosure fraud remain intact. So rather than settling the whole thing, the banks have settled some large piece of the thing. The best news for them, legally speaking, is that this cuts off some further lines of investigation.' http://slate.me/ycNvBj* ***MORE HEADACHES FOR BANKS*** *- LATimes' Nathaniel Popper and E. Scott Reckard: 'A nationwide settlement on foreclosure practices has ended one headache for the banks involved, but there are signs that it is only the beginning of many others. ... Until recently, analysts thought this might put to rest many of the largest complaints about the role the banks played in the financial crisis and its aftermath. It hasn't. There are a growing number of signals that prosecutors and regulators are stepping up efforts to bring new lawsuits and criminal charges in connection with the crisis. ... What's more, there is no criminal immunity or release from private claims by individuals or class-action lawsuits.' http://lat.ms/x4X4D5* ***OBAMA ECON NUMBERS RISE*** *- Gallup's Lydia Saad: 'By 59% to 38%, more Americans continue to disapprove than approve of President Barack Obama's handling of the economy. However, his approval rating on the economy is up from 30% in November after descending to a term-low 26% in August. ... Still, Obama's rating on the economy continues to be one of his poorest issue evaluations from Americans -- on par this month with his handling of foreign trade, relations with China, and creating jobs. Of the 11 issues on which Americans rated his performance in the Feb. 2-5 Gallup poll, only his rating on the federal budget deficit came in lower, at 32%. The president's highest issue approval ratings -- all near 50% -- are for the environment, national defense, Afghanistan, and foreign affairs generally.' http://bit.ly/vZsPjg"*

In Obama's Refinancing Plan, Homeowners to Pay a Premium
Peter Barnes (FOXBusiness)
February 07, 2012

"When President Obama last week announced his sweeping plan to help more homeowners refinance their mortgages at lower interest rates, he left out one major detail -- a fee Uncle Sam would charge them for the government's backing. The president proposed lowering monthly payments for millions of homeowners by refinancing their loans through the Federal Housing Administration. The agency provides insurance against default for banks that make riskier loans mainly to borrowers who make small down payments. The insurance allows homebuyers to borrow at lower interest rates, but the FHA tacks a 1.15% charge on top of the interest rate of most new mortgages it guarantees for the life of the loan. While the administration has yet to decide how to structure surcharges in its refi program, such fees would reduce savings for borrowers and make the program less attractive to some." Click here for more.

Bank Is Victim in Financial Crisis Case, Not Homeowners
Peter J. Henning (DealBook/NYT)
February 6, 2012

"Less than a week after the formation of a new federal-state working group that will focus on potential misconduct in the residential mortgage-backed securities market came a case against three traders at Credit Suisse who were charged with inflating the value of mortgage bonds in late 2007. But the case has little to do with the causes of the housing market collapse; at its core, it is really akin to embezzlement from a bank by its employees. The Justice Department filed charges of conspiracy, false accounting and wire fraud against Kareem Serageldin, who was a managing director at Credit Suisse's investment bank division in New York. Two subordinates pleaded guilty to conspiracy charges and are cooperating with the prosecution, having admitted to inflating the value of mortgage bonds held by Credit Suisse at Mr. Serageldin's direction." Click here for more.

The Housing Bottom is Here
CalculatedRisk blog
February 6, 2012

"There have been some recent articles arguing the "housing bottom is nowhere in sight". That isn't my view. First there are two bottoms for housing. The first is for new home sales, housing starts and residential investment. The second bottom is for prices. Sometimes these bottoms can happen years apart. For the economy and jobs, the bottom for housing starts and new home sales is more important than the bottom for prices. However individual homeowners and potential home buyers are naturally more interested in prices. So when we discuss a "bottom" for housing, we need to be clear on what we mean." Click here for more.

Gordon Whitman: Time for New Leadership at Fannie and Freddie: Obama Should Side With Homeowners over Wall Street
Gordon Whitman (Huffington Post)
February 7, 2012

"Even with Friday's good job numbers, the United States faces high long-term unemployment for years to come unless something changes soon. With Congress unable to do anything more ambitious than ban its members from insider trading, the last best hope for getting Americans back to work is to allow a significant number of the more than 10 million homeowners who are underwater to refinance their mortgages at the current value of their homes. This requires the big banks that crashed the economy to come clean on the true worth of the assets they own. Large-scale principal reduction is a win-win for homeowners and the economy. It would stabilize housing values and prevent foreclosures, while putting cash in the wallets of struggling families whose spending is essential for creating jobs. Most economists agree that the housing market and broader economy won't recover as long as one-out-of-every-four homeowners with a mortgage are underwater." Click here for more.

Go Back to Table of Contents

Executive Compensation

Credit Suisse Bonus-Bond Deferral Spares Investment-Bank Profit
Bradley Keoun (BusinessWeek)
February 9, 2012

"Credit Suisse Group AG's investment bank salvaged a full-year profit in 2011 by pushing 500 million Swiss francs ($549 million) of employee bonus costs into 2012. ***Without the deferral, the division's 79 million franc pretax profit would have been a loss of more than 400 million francs****. The cost, stemming from a first-of-its-kind plan to pay a portion of last year's bonuses in derivative-backed bonds, was booked this year "given the structuring, given everything that we had to do," Chief Executive Officer Brady Dougan said today on a conference call after the bank announced fourth-quarter results. Booking the costs in 2011 wasn't "an option" because of accounting rules, Dougan said on the call." Click here for more.*

On 'Bleak' Street, Bosses in Cross Hairs
Liz Moyer (WSJ – subscription required)
February 8, 2012

"Wall Street's bleak bonus season just got bleaker at Goldman Sachs Group Inc. and Morgan Stanley, where it is becoming clear that traders aren't the only ones at risk of having their pay taken back. Their bosses are on the hook, too. The Wall Street securities firms said they would seek to recover pay from any employee whose actions expose the firms to substantial financial or legal repercussions. The firms said the policy isn't new, but the disclosure shows the companies won't just go after the excessive risk-takers if bad trades hurt the firms' profits. The latest disclosures clarify for the first time that managers are on the line. The companies disclosed the clawback policies separately in Securities and Exchange Commission filings in late January and early February, in connection with agreements they reached to end proxy fights being waged by the office that runs New York City's pension funds." Click here for more.

Corporate Groups Seek SEC Roundtable on Pay Ratio Disclosure
Ted Allen (ISS Governance blog)
February 9, 2012

"A coalition of corporate organizations has asked the U.S. Securities and Exchange Commission to hold a roundtable before proposing rules to implement the CEO-employee pay ratio disclosure mandate of Section 953(b) of the Dodd-Frank Act. In a Jan. 19 letter to SEC Chairman Mary Schapiro, the groups state: 'while compliance with the pay ratio provision may seem straightforward, there are significant hurdles and burdens faced by the business community in attempting to comply with it . . .There is a widespread misperception that this information is readily available at the touch of a button. This could not be further from the truth.' The business groups, which include the U.S. Chamber of Commerce, the Business Roundtable, and 21 other organizations…In response, the ***Americans for Financial Reform (AFR)****, a group that includes the AFL-CIO and other supporters of Section 953(b), argues that the business coalition's request for a roundtable is an attempt 'to stifle the rule, not to enhance the rulemaking process.' 'Section 953(b) is a simple, straight-forward disclosure requirement, and the prescriptive language of the law should facilitate the Commission's rulemaking process. The Commission has already delayed issuing the regulation once. Further delays are unwarranted,' AFR wrote in a Jan. 25 letter to the SEC.* ***AFR*** *and other supporters of Section 953(b) argue that it will provide investors 'with needed information to restrain runaway levels' of executive compensation. 'The ratio of CEO to median employee compensation is material information for investors because high pay disparities can harm employee morale and productivity. Moreover, excessive pay packages can create incentives for top executives to take on excessive risk at the expense of the long-term stability of their corporations,'* ***AFR*** *stated." Click here for more.*

Go Back to Table of Contents

Student Lending

S&P Warns Student Loans May Be The Next Bubble To Burst In US Economy
Tyler Kingkade (The Huffington Post)
February 9, 2012

"Thought the mortgage crisis was a rough ride? Buckle up for the next financial crisis. Student-loan debt may be the next major U.S.-asset bubble to burst, according to Standard & Poor's. The problem: colleges and universities are hamstrung with lower endowments, while students have increasingly lower prospects of ever paying back their loans. Student debt now outpaces credit-card debt, approaching $1 trillion for the first time. The Project on Student Debt found that in 2008, 67 percent of college students at four-year universities were graduating with student-loan debt. That number is even higher for students at private nonprofit and for-profit colleges and universities." Click here for more.

Auto and Student Loans Drive Borrowing Surge
Josh Mitchell (WSJ – subscription required)
February 8, 2012

"In another sign that the credit freeze is thawing, the Federal Reserve said Americans ramped up their borrowing at the end of 2011. Household borrowing through credit cards, car loans, student loans and other installment debt—which excludes mortgages—rose at a seasonally adjusted 9.3% annual rate in December, following a 9.9% rise in November, the Fed said Tuesday. That was the biggest two-month surge since late 2001, when auto makers rolled out zero-percent financing after the Sept. 11 terrorist attacks. The most recent gains largely reflect more student loans, which at least one economist said could be a sign of financial strain. But auto loans and, to a lesser extent, credit-card use also rose. That marks a rebound in consumers' ability and willingness to borrow, which fell sharply after the 2008 crisisamid tighter credit, heavy household debt and rising unemployment." Click here for more.

NACBA Survey: 4 out of 5 U.S. Bankruptcy Attorneys Report Major Jump in Student Loan Debtors Seeking Help
National Association of Consumer Bankruptcy Attorneys press release
February 7, 2012

"With student loan debt now topping U.S. credit card debt and few or no options available for distressed borrowers (including unwary parents who co-signed loans and now face the loss of nest eggs, retirement homes and other assets), America faces the very real possibility of another major economic threat on a par with the devastating home mortgage crisis, according to a new survey and report published today by the National Association of Consumer Bankruptcy Attorneys (NACBA) at http://www.nacba.org." Click here for more.

Go Back to Table of Contents

FTT

Algirdas Semeta: Rebalancing the financial transactions tax debate
Algirdas Semeta (European Commissioner for taxation, customs, anti-fraud and audit - Telegraph - UK)
February 9, 2012

"Debate should reflect the proposal on the table. Those who disagree with the FTT have every right to make their case. But I greatly regret that the Commission's own figures have been systematically misrepresented by opponents. It is simply not true that our impact assessment predicts that the FTT will cost 1.76pc of GDP or hundreds of thousands of jobs. Our proposal itself categorically rejects the option calculated to have that effect. The FTT in the form we are proposing it will not damage European competitiveness. It will not destroy jobs. Neither will it be a backdoor way of increasing the EU budget. Much of the revenue would go directly to member states. The part for the EU budget would be offset by reductions in national contributions." Click here for more.

EU Barnier: Financial Transactions Tax Is Sensible In Economic Terms
Laurence Norman (Dow Jones Newswires)
February 8, 2012

"A financial transactions tax makes economic and financial sense and is 'fair,' European Financial Markets Commissioner Michel Barnier said Wednesday. 'I think that when this tax is created, it will be financially productive [and] economically it will stand up,' he said, adding that 'politically it will be fair.' Barnier acknowledged there are still many skeptics on the transactions tax, but said he remains hopeful that the tax's supporters can 'convince people it's useful for' all 27 EU member states. He said he wouldn't speculate on whether some countries would still go ahead with the tax if the levy doesn't get the backing of all 27 member states. Tuesday, France's government said nine euro-zone countries were ready to move ahead on a financial transactions tax." *Click here for more.*

Go Back to Table of Contents

Big Banks, Money, and Politics

House passes Republican-written insider trading bill that has heavy Wall Street influence
Associated Press
February 9, 2012

"The House passed a bill banning Congress and executive branch officials from insider trading, but brushed aside a provision aimed at reining in those who pry financial information from Congress and sell it to investment firms. Thursday's 417-2 vote likely sends the legislation to a House-Senate conference, where supporters of the tougher regulation will try to restore the proposal that was included in the version passed by the Senate. Voting against the bill were Reps. John Campbell, R-Calif. and Rep. Rob Woodall, R-Ga. … The harshest criticism came from a Republican, Sen. Charles Grassley of Iowa, whose amendment to regulate these firms won by 60-39. 'It's astonishing and extremely disappointing that the House would fulfill Wall Street's wishes by killing this provision,' Grassley said. 'The Senate clearly voted to try to shed light on an industry that's behind the scenes.'" *Click here for more.*

Obama Campaign Chief Messina Seeks to Assure Wall Street Donors
Hans Nichols (Bloomberg)
February 8, 2012

"Jim Messina, President Barack Obama's campaign manager, assured a group of Democratic donors from the financial services industry that Obama won't demonize Wall Street as he stresses populist appeals in his re-election campaign, according to two people at the meeting. At the members-only Core Club in Manhattan, Messina provided a campaign briefing last night for some of the president's top donors, including Ralph Schlosstein, chief executive officer at Evercore Partners Inc., and his wife, Jane Hartley, co-founder of the economic and political advisory firm Observatory Group LLC; Eric Mindich, founder of Eton Park Capital Management LP; and Ron Blaylock, co-founder of GenNx360 Capital Partners." *Click here for more.*

Harold Meyerson: Wall Street's Third Party
Harold Meyerson (The American Prospect)
February 9, 2012

"This November, when Barack Obama faces off against his Republican opponent, there will be a third candidate in the race, too. This candidate has already qualified for the ballot in 14 states, including California. The campaign to ensure the candidate's ballot access in all 50 states has raised $22 million (more than the campaigns of every Republican presidential candidate except Mitt Romney), with which it has employed 3,000 paid signature gatherers and enlisted 3,000 volunteers. This third candidate probably doesn't have to do all that well to affect the outcome of the presidential election. …Only this time around, there's one signal difference: We have no idea who that third candidate will be or what he or she stands for. For that matter, we also have no idea who the donors of that $22 million are, though the organization they've given to has published a list of 'leaders' chock-full of private-equity executives and hedge-fund managers. The group that is working to put this yet-to-be-identified worthy before us come November is called Americans Elect. It is the creation of financier Peter Ackerman, a 65-year-old private-equity executive who made his fortune working

alongside Michael Milken at Drexel Burnham Lambert in the 1980s—and who is also a leading advocate for and financial supporter of Gandhian nonviolent political change around the world. Click here for more.

Democrats Court Big Donor for PAC
Brody Mullins, Erica Orden and Carol E. Lee (WSJ – subscription required)
February 8, 2012

"President Barack Obama is looking for deep-pocketed Democrats to fund his re-election after dropping his opposition to a new breed of political-action committee, and some allies have set their sights on a Hollywood billionaire who ranks as one of the Democrats' biggest-ever donors. Late Monday, in an email to supporters, the Obama campaign said members of the administration would help raise money for Priorities USA, one of the new independent groups known as super PACs that may raise unlimited amounts of cash." Click here for more.

Financial Services Institute: FSI Releases Poll of Nearly 3,000 Financial Advisors
FSI press release
February 9, 2012

"The Financial Services Institute (FSI) today released the results of a poll of their financial advisor members that focuses on national politics, the economy, tax and regulatory issues, as well as equities performance. Former Massachusetts Governor Mitt Romney is the runaway favorite to win the Republican nomination and, ultimately, the presidency with the 2,938 financial advisors who completed the survey. They also believe: that the Senate will shift to Republican control; that the economy will stay flat while taxes go up; and that the Department of Labor (DOL) should not redefine the term 'fiduciary.' They also weigh in on other critical matters." Click here for more.

Other

Rep. Bachus faces insider-trading investigation
Scott Higham and Dan Keating (WP)
February 9, 2012

"The Office of Congressional Ethics is investigating the chairman of the House Financial Services Committee over possible violations of insider-trading laws, according to individuals familiar with the case. Rep. Spencer Bachus (R-Ala.), who holds one of the most influential positions in the House, has been a frequent trader on Capitol Hill, buying stock options while overseeing the nation's banking and financial services industries. The Office of Congressional Ethics, an independent investigative agency, opened its probe late last year after focusing on numerous suspicious trades on Bachus's annual financial disclosure forms, the individuals said. OCE investigators have notified Bachus that he is under investigation and that they have found probable cause to believe insider-trading violations have occurred." Click here for more.

Flashback - click here to read "A Perk of Power: Trading in Companies You Oversee" by Jason Zweig for the WSJ from April 10, 2010 about Rep. Bachus.

Geithner Says Dodd-Frank Opponents Add to Market Uncertainty
Cheyenne Hopkins and Ian Katz (Bloomberg)
February 3, 2012

"U.S. Treasury Secretary Timothy F. Geithner criticized opponents of new financial industry regulations and said the first non-banks deemed systemically risky will be named this year. 'Those who are working to slow the pace of reform will only increase uncertainty, and they will damage our efforts to try to get the rest of the world to adopt a level playing field,' Geithner said in Washington yesterday. Geithner defended the 2010 Dodd-Frank Act and said regulators are 'making considerable progress in implementing reform.' The law has come under attack from Republicans in Congress and presidential candidates." Click here for more.

The SOX Win: How Financial Regulation Can Work
Jesse Eisinger (ProPublica)
February 8, 2012

"Note: The Trade is not subject to our Creative Commons license. As fears mount that Dodd-Frank, the financial overhaul law, is about to be emasculated, it's worth reflecting on the 10-year anniversary of a major regulatory success. I'm speaking of the mocked, patronized and vilified Sarbanes-Oxley, the law that cleaned up American corporate accounting. SOX, as it's known, was a response to an epidemic in corporate accounting fraud that swept American business in the late 1990s and early 2000s. Because the 2008 financial crisis dwarfs that earlier round of scandal, it's easy to forget how rotten things were, said Broc Romanek, editor of TheCorporateCounsel.net, a site devoted to securities law and corporate governance. 'Everyone had lost faith in the numbers put out by big public companies,' he said. Cast your mind back. The scandals erupted in some of the purportedly best, most recognizable companies in America. Enron and WorldCom were the two biggest names and the two biggest failures. Tyco and Adelphia were in the second tier. But there were appalling accounting disgraces at HealthSouth, Rite Aid and Sunbeam. Waste Management and Xerox barely survived theirs." *Click here for more.*

Matt Taibbi: Why Wall Street Should Stop Whining
Matt Taibbi (Rolling Stone)
February 8, 2012

"Everybody on Wall Street is talking about the new piece by New York *magazine's Gabriel Sherman, entitled 'The End of Wall Street as They Knew It.'…The financial services industry went from having a 19 percent share of America's corporate profits decades ago to having a 41 percent share in recent years. That doesn't mean bankers ever represented anywhere near 41 percent of America's labor value. It just means they've managed to make themselves horrifically overpaid relative to their counterparts in the rest of the economy. A banker's job is to be a prudent and dependable steward of other peoples' money – being worthy of our trust in that area is the entire justification for their traditionally high compensation. Yet these people have failed so spectacularly at that job in the last fifteen years that they're lucky that God himself didn't come down to earth at bonus time this year, angrily boot their asses out of those new condos, and command those Zagat-reading girlfriends of theirs to start getting acquainted with the McDonalds value meal lineup. They should be glad they're still getting anything at all, not whining to* New York *magazine." Click here for more.*

The End of Wall Street As They Knew It
Gabriel Sherman (New York Magazine)
February 5, 2012

"On Wall Street, bonus season is a sacred ritual. It is the annual rite where net worth and self-worth get elegantly reduced to a single number. During the 25-year boom that abruptly ended in 2008, the only principle that really mattered come bonus time was how you ranked against the guys to your right and left. The system was governed by a kind of atavistic justice: You eat what you kill. From the outside, the seven- and eight-figure payouts that star bankers earned could seem obscene, immoral even. But on the inside, the outlandish compensation reflected a strict, almost moral logic. "Wall Street is a meritocracy, for the most part," as a senior Citigroup executive put it to me recently. "If someone has a bonus, it's because they created value for their institution." The sanctity of the bonus was built on the idea that Wall Street pay was simply the natural order of capitalism." Click here for more.

Broken budget process hurts Wall Street reform
Charles Riley (CNNMoney)
February 10, 2012

"President Obama is likely to propose a substantial funding increase for Wall Street regulators in his forthcoming budget. But there won't be any cheering in the boardrooms and hallways of the Securities and Exchange Commission and the Commodity Futures Trading Commission. That's because Congress will probably bypass the president's recommendation and instead set funding for the CFTC and SEC at a much lower level." Click here for more.

Bernanke tells Senate: Focus on growth now, deficit cuts later
Suzy Khimm (Washington Post)
February 7, 2012

"Federal Reserve Chairman Ben Bernanke kept to his message of caution on Tuesday, warning a Senate panel that sharp spending cuts and tax increases scheduled to take effect in early 2013 could slow the nation's economic recovery if federal officials do not take further action. Despite the recent upturn in the jobs market, Bernanke said while testifying before the Senate Budget Committee on the state of the economy, "the pace of the recovery has been frustratingly slow." He cautioned the lawmakers not to impede near-term growth in the name of cutting the long-term deficit, reiterating the arguments he made to the House Budget Committee last week." Click here for more.

Click here to view/read testimony from the Senate Banking Committee hearing entitled "The Outlook for U.S. Monetary and Fiscal Policy".

Obama nominates JP Morgan executive to FDIC board
Sarah N. Lynch and Dave Clarke (Reuters)
February 3, 2012

"President Barack Obama announced on Friday the nomination of JP Morgan Chase and Co executive Jeremiah Norton to fill an open spot on the Federal Deposit Insurance Corp's board of directors. Norton currently works as an executive director for JP Morgan Securities LLC, where he advises institutions on mergers and acquisitions. He previously served as a Deputy Assistant Secretary for Financial Institutions Policy at the U.S. Treasury Department from 2007 to 2009. He also once worked for Republican Congressman Edward Royce, where he advised him on banking and insurance issues. With this announcement, Obama has nominated a full five-member board for the FDIC." Click here for more.

Go Back to Table of Contents

Upcoming Events

Capitol Hill

House Committee on Financial Services

Hearing entitled "Budget Hearing—Consumer Financial Protection Bureau"
Oversight and Investigations
February 15, 2012 10:00 AM in 2128 Rayburn HOB

House Small Business Committee

No pertinent markups/hearings scheduled as of 2/10/12

House Committee on Agriculture

No pertinent markups/hearings scheduled as of 2/10/12

Committee on Oversight and Government Reform

No pertinent markups/hearings scheduled as of 2/10/12

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

No pertinent markups/hearings scheduled as of 2/10/12

Senate

Senate Banking, Housing, and Urban Affairs Committee

February 16th
Examining the European Debt Crisis and its Implications
538 Dirksen Senate Office Building
10:00 AM - 12:00 PM

February 15th
Pay for Performance: Incentive Compensation at Large Financial Institutions
538 Dirksen Senate Office Building
2:30 PM - 4:30 PM

Senate Committee on Finance

The President's Budget for Fiscal Year 2013
United States Senate Committee on Finance
Tuesday, February 14, 2012, 10:00 AM and Wednesday, February 15, 2012, 10:00 AM
215 Dirksen Senate Office Building

Senate Committee on Agriculture, Nutrition and Forestry

No pertinent markups/hearings scheduled as of 2/10/12

SEC

No pertinent markups/hearings scheduled as of 2/10/12

CFTC

The Commission meeting scheduled for February 15, 2012, will not be held
Commodity Futures Trading Commission – Washington, DC

CFPB

No publicly announced meetings/hearings as of 2/10/12

FTC

The Federal Trade Commission will host a workshop on April 26, 2012, to examine the use of mobile payments in the marketplace and how this emerging technology impacts consumers. This event will bring together consumer advocates, industry representatives, government regulators, technologists, and academics to examine a wide range of issues, including the technology and business models used in mobile payments, the consumer protection issues raised, and the experiences of other nations where mobile payments are more common. The workshop will be free and open to the public.

Topics may include: What different technologies are used to make mobile payments and how are the technologies funded (e.g., credit card, debit card, phone bill, prepaid card, gift card, etc.)? Which technologies are being used currently in the United States, and which are likely to be used in the future? What are the risks of financial losses related to mobile payments as compared to other forms of payment? What recourse do consumers have if they receive fraudulent, unauthorized, and inaccurate charges? Do consumers understand these risks? Do consumers receive disclosures about these risks and any legal protections they might have? When a consumer uses a mobile payment service, what information is collected, by whom, and for what purpose? Are these data collection practices disclosed to consumers? Is the data protected? How have mobile payment technologies been implemented in other countries, and with what success? What, if any, consumer protection issues have they faced, and how have they dealt with them? What steps should government and industry members take to protect consumers who use mobile payment services?

To aid in preparation for the workshop, FTC staff welcomes comments from the public, including original research, surveys and academic papers. Electronic comments can be made at https://ftcpublic.commentworks.com/ftc/mobilepayments. Paper comments should be mailed or delivered to: 600 Pennsylvania Avenue N.W., Room H-113 (Annex B), Washington, DC 20580.

The workshop is free and open to the public; it will be held at the FTC's Satellite Building Conference Center, 601 New Jersey Avenue, N.W., Washington, D.C.

Center for Responsible Lending

Join us for a Webinar on February 15th

High-cost bank payday loans, called direct deposit or checking account advances by the banks, are a growing trend. With an average annual interest rate of 365%, they trap borrowers in a cycle of long-term, high-cost debt, just like storefront payday lending.

In a quick and basic 30-minute presentation, followed by online Q&A, we'll cover:

Which four big banks are making loans with rates in excess of 300% APR. How to identify high-cost bank payday loans. Impact on the financial services landscape and other credit options. How to reverse the trend and hold banks accountable for predatory practices.

Title: Bank Payday Lending Basics
Date: Wednesday, February 15, 2012
Time: 2:00 PM - 3:00 PM EST

After registering you will receive a confirmation email containing information about joining the Webinar.

System Requirements: PC-based attendees - Required: Windows® 7, Vista, XP or 2003 Server - Macintosh®-based attendees Required: Mac OS® X 10.5 or newer

Space is limited. Reserve your Webinar seat now at: https://www4.gotomeeting.com/register/185583639

National Community Reinvestment Coalition

21012 NCRC Annual Conference
Wednesday, April 18, 2012 at 1:00 PM - Saturday, April 21, 2012 at 4:00 PM (ET)
Washington, United States

Click here for more information.

Other

National Consumer Protection Week (NCPW) is an annual campaign among government and non-profit entities that encourages consumers to take full advantage of their consumer rights and make better-informed decisions in the marketplace. **The 14th annual NCPW will be March 4 – 10, 2012.** If you have any questions about how to promote NCPW in your community, please send an email to ncpw@ftc.gov.