THIS WEEK IN WALL STREET REFORM

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CFPB and Consumer Issues

Republicans Focus on Costs of U.S. Consumer Bureau Rules
Phil Mattingly and Carter Dougherty (Bloomberg)
January 31, 2012

"Republican lawmakers today escalated their criticism of the U.S. Consumer Financial Protection Bureau over estimates that its first rule would require nearly 7.7 million employee hours of work to comply. Senator Richard Shelby, the top Republican on the Senate Banking Committee, took aim at a rule published Jan. 20 on remittances, charging it is inconsistent with the agency's stated goal of lowering costs for consumers.…The proposal requires firms to tell the customer the fees being charged, the exchange rate being applied and the total amount the person on the other end will receive. It has been praised by ***Americans for Financial Reform****, an umbrella group of labor unions, consumer advocates and civil rights lawyers, for providing 'clarity and confidence' for consumers." Click here for more.*

Cordray mum on qualified mortgage rule due by this summer
Jon Prior (Housing Wire)
January 31, 2012

"The Consumer Financial Protection Bureau will spend the first half of 2012 finalizing the wide-reaching qualified mortgage standard, its new director told Congress Tuesday. CFPB Director Richard Cordray said his office has received 'hundreds, if not thousands' of comments on the pending QM proposal. Many top mortgage executives at the largest banks believe the rule will set the market for years to come, and a critical detail could affect foreclosure proceedings in the future." Click here for more.

Click here to view/read testimony from the hearing entitled 'Holding the CFPB Accountable: Review of First Semi-annual Report' and **click here** to view the report.

Senate Republicans: We Can't Stop Cordray
Stacy Kaper (National Journal)
January 31, 2012

"Senate Banking Committee Republicans, angry over President Obama's controversial recess appointment of Richard Cordray to the Consumer Financial Protection Bureau, have no strategy for uninstalling him or slowing the agency's work. After hearing Cordray's testimony on Tuesday, panel Republicans said they will not hold up other pending financial regulatory nominees because of his installment and conceded that they are relying on the financial industry or other outside groups to lead the legal challenge to his and similar appointments. In short, besides raising a ruckus and trying to make Cordray squirm, there is little they can do. 'It is going to be up to the court,' said Sen. ***Richard Shelby****, R-Ala., the panel's ranking member. 'It is beyond the Congress now, but I think it behooves us to raise it. We were doing some of that today.'" Click here for more.*

Obama's recess appointments will create uncertainty, GOP critics say
Ed O'Keefe (WP's 'The Federal Eye)
February 1, 2012

"President Obama's recent recess appointments to the National Labor Relations Board and the new Consumer Financial Protection Bureau will create years of legal uncertainty for actions taken by those agencies and chaos for companies affected by the decisions, Republican critics will testify Wednesday. A House Oversight and Government Reform Committee hearing is set to lay bare GOP concerns with Obama's decision in January to appoint Richard Cordray to lead the CFPB and to seat three nominees on the NLRB while the Senate was out of town." Click here for more.

Click here to view/read testimony from the hearing entitled "Uncharted Territory: What are the Consequences of President Obama's Unprecedented 'Recess' Appointments?"

National Consumer Law Center - Hurdle for Challengers to CFPB Recess Appointment
National Consumer Law Center
February 2012

"A misunderstanding became conventional wisdom: that the Consumer Financial Protection Bureau (CFPB) would not have all of its powers, especially over nonbanks, until a director was in place. Now that President Barack Obama has made a recess appointment of Richard Cordray to be director, the issue would seem moot. But it could make a big difference to debt collectors, payday lenders, and others who attempt to avoid the CFPB's scrutiny by challenging Cordray's appointment. Courts may be reluctant to even hear their arguments about the legality of the recess appointment if the challengers are subject to the CFPB with or without a director." Click here for more.

Consumer Issues

AFR Supports a Public Credit Card Complaints Database

Click here to read the letter drafted by Consumer Action and signed by AFR and 20 other organizations in support of a publicly accessible credit card complaints database for consumers.

Bureau Proposes Consumer Database for Credit Card Complaints, POGO and Allies Say Yes!
Dana Liebelson(POGO)
February 1, 2012

*"Hungry? Check out Yelp, where you can read restaurant reviews straight from the mouths of diners. Need a hotel room? Hop over to TripAdvisor, where vacationers report which rooms have ocean-side views, and which have cockroaches. Looking for consumers' credit card complaints so you can choose a reputable company? You're out of luck, buddy. But that might soon change: on Monday, **POGO** joined **Consumer Action** and other allies in comments sent to the Consumer Financial Protection Bureau (CFPB), supporting the agency's proposed publicly accessible online complaint database. There is already a model for the government to follow when it comes to making complaints about a product available to consumers. The Consumer Product Safety Commission has a searchable online database for complaints about the safety of products, similar to the one proposed by the CFPB. But SaferProducts.gov doesn't include credit cards or other financial products. The CFPB's proposal would allow people to use other consumers' first-hand experiences with credit card companies as a tool to make smart financial decisions. The public comments—which were signed by consumer, civil rights, privacy, and open government groups, and members of **Americans for Financial Reform** —give suggestions as to how this database can inform the public of complaint details without putting an individual's personally identifiable information at risk." Click here for more.*

The CFPB Puts Military Scammers In Its Crosshairs
Mandi Woodruff (BusinessInsider)
January 27, 2012

"Now we see why they put former U.S. Army General David Petraeus' wife on the payroll at the CFPB's new office for military affairs. Holly Petraeus just announced the agency's launch of a first-of-its-kind database to track fraud aimed at servicemembers at home and overseas. 'During my visits to military communities across the country, I continue to hear stories of servicemembers and veterans being defrauded by businesses that see our troops as easy targets for a quick profit,' said Petraeus, assistant director for the CFPB's Office of Servicemember Affairs." Click here for more.

Bank Fees in 2012: Up, Up and Away!
Eleazar David Meléndez (International Business Times)
January 31, 2012

"After Bank of America announced in September it was instituting a $5 monthly fee on debit card transactions, the uproar was deafening. Consumer advocate groups, politicians and enraged patrons kept the headlines buzzing for days. Protesters at the then-highly visible Occupy Wall Street movement made the fee a cause célèbre**.** *Even President Obama criticized the corporate decision in a televised interview, telling ABC News the bank charge was 'exactly the sort of stuff that folks are frustrated by.'…'Big banks are raising fees, inventing new fees and making it harder to avoid fees', said Ed Mierzwinski, consumer program director at **U.S. Public Interest Research Group**, an organization that lobbies for consumer protection at the national*

level. Mierzwinski, as well as several other experts, say 2012 will see banks attempt to place higher fees or new fees on retail consumers." *Click here for more.*

Under FTC Settlement, Debt Buyer Agrees to Pay $2.5 Million for Alleged Consumer Deception
AP
January 3, 2012

"One of the nation's largest consumer debt buyers has agreed to pay a $2.5 million civil penalty to settle Federal Trade Commission charges that it made a range of misrepresentations when trying to collect old debts. In addition, the company, Asset Acceptance, LLC, has agreed to tell consumers whose debt may be too old to be legally enforceable that it will not sue to collect on that debt. The proposed settlement order resolving the agency's charges also requires that when consumers dispute the accuracy of a debt, Asset Acceptance must investigate the dispute, ensuring that it has a reasonable basis for its claims the consumer owes the debt, before continuing its collection efforts. The proposed order also bars the company from placing debt on consumers' credit reports without notifying them about the negative report. The U.S. Department of Justice filed the proposed settlement order this week at the FTC's request." Click here for more.

Click here to view the press statement from Consumers Union.

FTC Settlement Bans Billing Scheme Operators from Negative-Option Sales
Official press release
February 1, 2012

"The Federal Trade Commission has stopped an operation that targeted payday loan seekers and charged them for worthless programs without their consent. A settlement order, reached as part of the FTC's ongoing efforts to stamp out online fraud, requires the defendants to pay more than $9.9 million and bans them from marketing negative-option programs, which charge recurring fees until a consumer cancels. According to the FTC's complaint, filed in March 2011, Michael Bruce Moneymaker, Daniel de la Cruz, and their companies obtained consumers' personal information from websites that claimed to match consumers with payday lenders. Then, without consumers' consent, they enrolled them in negative-option programs that cost an initial fee of up to $49.99, plus weekly or monthly recurring fees of up to $19.98, and did not provide promised refunds. The court subsequently halted the allegedly illegal practices and froze the defendants' assets, pending trial." Click here for more.

Mobile banking becomes new priority for Senate Banking Committee
Ted Knutson (Reuters)
January 31, 2012

"Senate Banking Committee Chairman Tim Johnson (D-SD) said Tuesday mobile banking will be one of the Committee's priorities for 2012. He said the Committee will hold a hearing on the topic, probably its first ever, at a yet-to-be determined date this year, but did not disclose any problems or potential legislative fixes. NACHA—The Electronic Payments Association Senior Vice President of Association Services Scott Lang told Thomson Reuters if there were to be legislative action taken on mobile banking, the group wants it is drafted in a way that it does not discourage innovation." Click here for more.

CFA – CFA Research Reveals That Auto Insurance Practices Deny Economic Opportunities to Low- and Moderate-Income Households
Press release
January 31, 2012

"A study released this morning by the Consumer Federation of America (CFA) concludes that the auto insurance marketplace denies important economic opportunities, especially those related to employment, to low- and moderate-income (LMI) households. The study also explains how state insurance regulators could ensure that mandated auto insurance coverage is fairly priced and affordable for these families so that they have greater access to car ownership and jobs. The research, undertaken by CFA Executive Director Stephen Brobeck and Director of Insurance J. Robert Hunter with support from The Ford Foundation, reveals that…" Click here for more.

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Shadow Markets and Systemic Risk

AFR letter opposing HR 3461, the "Financial Institutions Examinations Fairness and Reform Act"

Click here *to view the letter in which we state this legislation would tilt the playing field further in the direction of industry interests and tie the hands of regulators attempting to protect the public interest.*

This Bill Could Let Big Banks Take Bigger Risks
Rob Graver (The Fiscal Times)
January 30, 2012

"As President Obama and congressional Republicans continue to battle over the shape and scope of banking regulations in the wake of the financial crisis, lawmakers on Wednesday will hold a hearing on a bill designed to make it easier for banks to challenge the decisions of their government regulators. But at a time when Democrats and Republicans are sharply divided about stricter financial regulations enacted under the Dodd-Frank Act and the role of the Consumer Financial Protection Bureau (CFPB), this bill has already garnered support from both sides of the aisle. The Financial Institutions Examination Fairness and Reform Act, introduced by Rep. Shelley Moore Capito, R-WV, and co-sponsored by Rep. Carolyn Maloney, D-NY, and a bipartisan group of more than 75 lawmakers, would give banks the right to appeal regulators' decisions about individual banks' safety and soundness to a third party." Click here for more.

Click here to view/read testimony from the hearing entitled "H.R. 3461: the Financial Institutions Examination Fairness and Reform Act".

S.E.C. Is Avoiding Tough Sanctions for Large Banks
Edward Wyatt (NYT)
February 3, 2012

"Even as the Securities and Exchange Commission has stepped up its investigations of Wall Street in the last decade, the agency has repeatedly allowed the biggest firms to avoid punishments specifically meant to apply to fraud cases. By granting exemptions to laws and regulations that act as a deterrent to securities fraud, the S.E.C. has let financial giants like JPMorganChase, Goldman Sachs and Bank of America continue to have advantages reserved for the most dependable companies, making it easier for them to raise money from investors, for example, and to avoid liability from lawsuits if their financial forecasts turn out to be wrong." Click here for more.

Banks warn rule change will hurt recovery
Tom Braithwaite in New York and Brooke Masters in London (FT – registration required)
January 29, 2012

"US banks fear that any recovery in the US housing market will be further delayed as a result of moves to remove credit ratings from American regulations, which will boost banks' capital requirements by billions of dollars. Bankers have until Friday to respond to a proposal by the Federal Reserve and other regulators that would increase the 'risk weights' on securitised assets, driving up sharply the equity capital that banks are forced to set against them. Securitisations are financial products that bundle loans, with slices carrying different levels of risk sold off separately." Click here for more.

Banks Lobby to Protect Overseas Swaps from Dodd-Frank
Emily Knapp (Wall St. Cheat Sheet)
January 31, 2012

"Banks are lobbying regulators to exempt their overseas derivatives-trading operations from the Dodd-Frank Act, claiming they will suffer a competitive disadvantage if the regulations apply to their foreign arms. Goldman Sachs (NYSE:GS), Morgan Stanley (NYSE:MS) and three other large banks have met with regulators, testified before Congress, and filed dozens of letters contending that the regulations negatively impact their swaps businesses overseas, which make up more than half of all the banks' derivatives operations." Click here for more.

Banks Depleting Earnings Backstop
Michael Rapoport (WSJ – subscription require)
February 3, 2012

"The rainy-day funds that U.S. banks have been tapping to boost their earnings could soon begin to dry up, and that doesn't bode well for bank profits. Many banks have been 'releasing' reserves against bad loans since the worst of the crisis passed and the economy began recovering. That money flows to the bottom line, helping some banks boost earnings at a time when lending and trading profits have been soggy." Click here for more.

CFTC making progress on swaps market rules: Gensler
Reuters
January 27, 2012

"The head of the U.S. futures regulator said on Friday his agency has made a 'down payment' on efforts to bring more transparency to the swaps market but more work needed to be done. The CFTC is working to complete a regulatory framework for the previously opaque $700 trillion over-the-counter derivatives market required under the 2010 Dodd-Frank law. 'Hedgers, investors and speculators will be able to meet in an open and competitive market, benefitting from seeing available bids and offers and gaining liquidity,' Gary Gensler, the chairman of the Commodity Futures Trading Commission, said in prepared remarks to the American Bar Association's Committee on Derivatives and Futures Law." Click here for more.

Bi-partisan Effort to Delay Advisor Rule
Ben White (Politico's Morning Money)
January 31, 2012

"A bipartisan group of House members sent a letter to the SEC on the registration of private equity investment advisers. The letter asks the SEC to delay the March 30, 2012, implementation of the new investment adviser registration requirements and to use its exemptive authority to exclude advisers to private equity funds that are not highly leveraged at the fund level from the registration requirements. Letter: http://bit.ly/w0fqRB"

Simon Johnson - Progress on Letting Big Banks Fail
Simon Johnson (NYT's 'Economix' blog)
February 2, 2012

*"The drafters of the Dodd-Frank financial reform law got an important thing right. Despite fierce pushback from the banks — and lackluster support from the White House at critical moments — the legislators communicated a key new intent: megabanks must be able to fail, and the Federal Deposit Insurance Corporation should be in charge of that liquidation process. The F.D.I.C. was an inspired choice for this role, because it is less captivated by the 'magic' of Wall Street and less captured by its money and influence than any other group of officials. The F.D.I.C. has also long been in the business of shutting down banks while limiting the damage to taxpayers, although it did not previously have complete jurisdiction over the largest banks when they got into trouble. It could only deal with those parts that had federally insured 'retail' deposits, and this turns out not to be where the biggest problems have occurred in recent times. … By creating a Systemic Resolution Advisory Committee of informed outsiders and by Webcasting the deliberations of that group, the agency has brought perhaps an unprecedented degree of transparency to public policy for banks — a point made forcefully by Dennis Kelleher; his blog at **Better Markets** is a must-read for anyone who cares about financial regulatory reforms. (Disclosure: I'm a member of the committee, an unpaid position.)" Click here for more.*

<u>Commodity Speculation</u>

Bruising year for commodities hedge funds
Javier Blas and Jack Farchy in London and Gregory Meyer in New York (FT – registration required)
January 31, 2012

"The commodities hedge fund industry has suffered its worst year in more than a decade as the sector's top managers recorded heavy losses amid volatile markets. The average commodity hedge fund fell 1.7 per cent in 2011, according to a closely watched index compiled by Newedge, the first loss since the index was created in 2000 and down from a rise of 10.7 per cent in 2010. The drop came as multibillion-dollar

commodities hedge funds such as Blenheim, Clive Capital, BlueGold and Merchant posted double-digit losses for the year." [*Click here for more.*]

Volcker Rule

UK Push on Volcker
Ben White (Politico's Morning Money)
January 31, 2012

"From letter to Fed Chair Ben Bernanke for UK Chancellor of the Exchequer George Osborne: 'I am writing to propose the launch of a more active dialogue on the Volcker rule and the implications for global financial markets. Two specific areas of concern that I would like to raise for further discussion are: the impact of proprietary trading restrictions on the liquidity of global funding markets and particularly non-US sovereign debt markets; and the planned breadth of exemptions to proprietary trading restrictions for firms carrying out activities which have little economic consequence for US markets.' CITIGROUP also recently wrote a letter to regulators expressing concerns on Volcker: http://bit.ly/wtVXIw"

Volcker Rule Stirs Up Opposition Overseas
Andrew Ross Sorkin (DealBook/NYT)
January 30, 2012

"Usually, it is the banks that are fighting efforts to impose new regulations on the industry. Now, it is foreign governments fighting against bank regulations in the United States. In the halls of last week's annual meeting of the World Economic Forum here, Wall Street's top bankers found a curious ally in their battle to end — or perhaps water down — the Volcker Rule, that part of last year's Dodd-Frank financial regulation law that says that banks are not allowed to participate in "proprietary trading." Translation: Banks can't make risky bets with their own money. The idea, rooted in ending the too-big-to-fail phenomenon, is to separate the risky casino element of Wall Street from the utility role of helping finance the economy. Yet finance ministers from around the world lined up to whisper in the ear of Timothy Geithner, the Treasury secretary, who made the rounds in Davos on Thursday and Friday, about a specific element of the Volcker Rule that has them apoplectic: The rule says that United States banks — and possibly certain foreign banks that do business in America — would be restricted in trading foreign government bonds. Yet the rule, conveniently, provides an exemption for United States government securities. Every other country is out of luck." Click here for more.

Better Markets - Don't Stick US Taxpayers with Bill for Loopholes in Volcker Rule
Dennis Kelleher (Better Markets' blog)
January 31, 2012

"The UK, Canada, Japan and reportedly other countries are complaining about the Volcker Rule. They are saying that it might -- MIGHT -- result in the trading in their sovereign debt being less liquid. Tellingly, they provide no data to support their argument and they make assumptions that seem to be merit less. First, they assume if the biggest banks can't make proprietary trades in their sovereign debt, then no one will. That's crazy. Remember, the Volcker Rule only applies to systemically significant institutions, i.e., the biggest of the big. Everyone else can make all the prop trades they want and even take on reckless leverage, i.e., MF Global." Click here for more.

MF Global

After a Delay, MF Global's Missing Money Is Traced
Ben Protess and Azam Ahmed (DealBook/NYT)
January 31, 2012

"Investigators have determined what happened to nearly all of the customer money that disappeared from MF Global around the time of its bankruptcy last Oct. 31, but have not publicly disclosed their progress, fearing that doing so might cripple efforts to recover the cash and pursue potential wrongdoing, people briefed on the investigation said. While authorities have traced hundreds of millions of dollars to banks, MF Global's trading partners and even the firm's securities customers, investigators remain uncertain about whether they can retrieve the money. Some recipients were entitled to payouts from MF Global, which could make clawing back the money difficult. For instance, securities customers withdrawing their money as MF

Global began to collapse were paid from accounts that belonged to futures clients, according to other people briefed on the matter." Click here for more.

Ratings agencies to be quizzed over MF Global
Shahien Nasiripour in Washington (FT – registration require)
January 29, 2012

"Moody's Investors Service 'did not have any understanding' that MF Global, the failed futures broker, had placed a $6.3bn proprietary bet on the debt of troubled European sovereigns until about a week before the brokerage filed for bankruptcy, despite MF Global's disclosure of the gamble some five months earlier in May. The revelation, made in a letter by the agency to Congress obtained by the Financial Times, comes as US lawmakers plan this week to grill executives at Moody's and rival Standard & Poor's on what they knew and when ahead of the broker's collapse on October 31." Click here for more.

Exclusive: MF Global triggers regulatory rethink at CFTC
Christopher Doering (Reuters)
February 1, 2012

"The head of the Commodity Futures Trading Commission has ordered an extensive review of how futures brokerages are regulated, following the collapse of MF Global three months ago, a CFTC official told Reuters on Wednesday. CFTC Chairman Gary Gensler ordered the review after questions emerged about whether the CFTC or exchange-operator CME Group, whose self-regulatory arm served as MF Global's front-line regulator, could have done more to prevent the firm's collapse and safeguard customer money." Click here for more.

International

25 EU countries ready to sign new treaty aimed at tightening spending rules for eurozone
Associated Press
January 30, 2012

" All European Union countries except Britain and the Czech Republic agreed Monday to sign a new treaty designed to stop overspending in the eurozone and put an end to the bloc's crippling debt crisis, while EU leaders also pledged to stimulate growth and employment. The new treaty, known as the fiscal compact, was agreed at a summit of European leaders in Brussels on Monday. It includes strict debt brakes and makes it more difficult for deficit sinners to escape sanctions. The 17 countries in the eurozone hope the tighter rules will restore confidence in their joint currency and convince investors that all of them will get their debts under control." Click here for more.

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Foreclosures and Housing

Obama details broader housing plan
Ben Feller (AP)
February 1, 2012

"President Barack Obama called on Congress Wednesday to make it easier for millions of additional homeowners to refinance their mortgages at lower interest rates even if they owe more than their homes are worth. He conceded that his administration's housing plans so far have not lived up to their promise. Calling the housing problem "massive in size and in scope," Obama detailed a proposal he outlined in his State of the Union speech last week, tackling an issue of vital concern in states key to his re-election. 'This housing crisis struck right at the heart of what it means to be middle class in America: our homes,' Obama said, speaking at a northern Virginia community center." Click here for more.

Click here to watch/read the President's remarks.

Click here to view the press statement from the Consumer Federation of America and **click here** to view the press statement from the Leadership Conference on Civil and Human Rights.

Exclusive: Mortgage deal would give states enforcement clout
Rick Rothacker and Aruna Viswanatha (Reuters)
February 1, 2012

"A proposed settlement to resolve mortgage abuses by top U.S. banks will give states broad authority to punish firms that mistreat borrowers in the future, according to documents seen by Reuters on Wednesday. Under the settlement, which states are currently reviewing to decide whether they will join, the states and a separate 'monitoring committee' will have the authority to go to court to enforce the terms and seek penalties of up to $5 million per violation." Click here for more.

Cutoff Looms on Loan Accord
Ruth Simon (WSJ – subscription required)
January 31, 2012

"State attorneys general have until Friday to join a potential national settlement of alleged foreclosure abuses, according to a document reviewed by The Wall Street Journal. The deadline, set by negotiators trying to pull together an agreement with the federal government, states, and five major banks, is the latest sign that the finish line is in sight for what has been a bruising, yearlong haul. Government officials are aiming for a deal valued at $25 billion in loan write-downs and other homeowner compensation with Ally Financial Inc., Bank of America Corp., Citigroup Inc., J.P. Morgan Chase & Co. and Wells Fargo & Co. Representatives of Ally, Bank of America, Citigroup, J.P. Morgan and Wells Fargo declined to comment. The deadline represents an effort by negotiators to tally how many states will join the pact. That number could affect the value of the deal or even whether one is reached. "We anticipate that states will make their decision by the deadline," said a spokesman for Iowa Attorney General Tom Miller, the lead state negotiator." Click here for more.

New York sues banks over electronic mortgage system
Karen Freifeld (Reuters)
February 3, 2012

"New York state Attorney General Eric Schneiderman on Friday accused three major U.S. banks of fraudulently using an electronic mortgage database to avoid the need for recording mortgage transfers. Schneiderman's office said he was suing Bank of America Corp (BAC.N), Wells Fargo & Co (WFC.N) and JPMorgan Chase & Co (JPM.N) in New York state court in Brooklyn. 'The mortgage industry created MERS to allow financial institutions to evade county recording fees, avoid the need to publicly record mortgage transfers and facilitate the rapid sale and securitization of mortgages en masse,' Schneiderman said. MERS, the Mortgage Electronic Registration Systems, is a system for tracking mortgage ownership." This is the full article.

Click here to view the official press statement from the Attorney General's office.

U.S. Plans Charges on Bond Fraud
Susan Pulliam, Jean Eaglesham, and Michael Siconolfi (WSJ – subscription required)
February 1, 2012

"Federal prosecutors are preparing to file criminal charges against former Wall Street traders alleging they misstated the value of mortgage bonds, an issue central to the 2008 financial crisis, according to people familiar with the matter. The Manhattan U.S. Attorney's office is planning to allege in a criminal complaint that several former traders at Credit Suisse Group AG, a major global investment bank, misled the bank's investors by booking inflated prices of mortgage bonds to boost their bonuses, despite knowing the values of those securities had dropped, according to the people familiar with the matter." Click here for more.

Freddie Mac Bets Against American Homeowners
Jesse Eisinger, ProPublica and Chris Arnold, NPR News
January 30, 2012

"Freddie Mac, the taxpayer-owned mortgage giant, has placed multibillion-dollar bets that pay off if homeowners stay trapped in expensive mortgages with interest rates well above current rates. Freddie began increasing these bets dramatically in late 2010, the same time that the company was making it harder for homeowners to get out of such high-interest mortgages. No evidence has emerged that these decisions

were coordinated. The company is a key gatekeeper for home loans but says its traders are "walled off" from the officials who have restricted homeowners from taking advantage of historically low interest rates by imposing higher fees and new rules." *[Click here for more.](#)*

Freddie Mac Bets Against Refinancing? Or Just Higher Rates?
Daniel Fisher (Forbes)
January 30, 2012

"It's an eyecatching, holy-vampire-squid headline: [Freddie Mac Bets Against American Homeowners](#)! And the story details how our national mortgage company has invested heavily in securities that would lose value if homeowners refinanced their mortgages. This time, instead of Goldman Sachs, it's a federal agency thrusting its blood funnel into the pockets of American homeowners! Except, upon actually reading the story, I don't get it. [Freddie Mac](#) did something potentially risky, but it was based on the reasonable assumption that interest rates can't go much lower, but neither will they rise dramatically. According to the ProPublica story, Freddie bought $3.4 billion in "inverse floaters," which are mortgage-backed bonds based on the interest payments from homeowners. As ProPublica points out, those securities can lose value when homeowners refinance or "prepay" in mortgage-banking terms. When that happens, investors get the principal portion of the mortgage back to reinvest but the stream of interest payments ends forever." *[Click here for more.](#)*

Peter Dreier - Marine Fights Freddie Mac to Save His Home
Peter Dreier (Huffington Post)
January 31, 2012

"Arturo de los Santos, a 46-year-old Marine who lives in Riverside, California, doesn't usually listen to National Public Radio, but a friend told him to pay attention to a disturbing [report](#) broadcast Monday on NPR's 'Morning Edition.' The report disclosed that Freddie Mac, the government-sponsored mortgage company, whose mission is "to expand opportunities for homeownership," invested billions in mortgage securities that profited when homeowners were unable to refinance. De los Santos is one of those homeowners that Freddie Mac bet against. Sunday night he got a court summons at his door from Freddie Mac stating that the mortgage giant was going to evict him. But he's fighting back, pledging to get arrested rather than leave voluntarily if Riverside County sheriff's deputies try to remove him, his wife and four children from the home they've lived in for almost a decade. He is part of a growing movement of Americans inspired by Occupy Wall Street to stop banks and other lenders from foreclosing on their homes. On Thursday at noon, de los Santos, his friends and neighbors, and activists from the ***[Alliance of Californians for Community Empowerment](#) (ACCE)*** *will protest at Freddie Mac's west coast headquarters (444 South Flower St.) in downtown Los Angeles. They will call on Freddie Mac CEO Charles Haldeman to get the mortgage giant to renegotiate a fair modification of de los Santos' loan, including reducing the mortgage principal."* *[Click here for more.](#)*

NY Attorney General Eric Schneiderman on President Obama's Mortgage Crisis Unit
Brett Brownell (MSNBC's 'Up with Chris Hayes)
January 29, 2012

"New York Attorney General and co-chair of President Obama's new mortgage crisis unit Eric Schneiderman talks with Chris about his expectations for the new mortgage crisis investigations." *[Click here for more.](#)*

New Fraud Investigation Group Issues Subpoenas to Financial Companies
Edward Wyatt (NYT)
January 27, 2012

"A new law enforcement group examining securities fraud from the housing bubble and financial crisis has already issued civil subpoenas to 11 financial companies for information related to their actions in the market for residential mortgage-backed securities, Attorney General Eric H. Holder Jr. said Friday. President Obama announced the new group in his [State of the Union address](#) on Tuesday, saying it would 'hold accountable those who broke the law, speed assistance to homeowners, and help turn the page on an era of recklessness that hurt so many Americans.' *[Click here for more.](#)*

Matt Taibbi - A Victory for the Public on Foreclosures?
Matt Taibbi (Rolling Stone)
January 28, 2012

"So there was big news yesterday on the foreclosure settlement front. We still have to wait and see what the final deal looks like, but there are reports out that the long-awaited settlement is a far, far better deal for the public than expected. If these reports are true, it looks like New York Attorney General Eric Schneiderman and California AG Kamala Harris have scored an enormous victory in narrowing the scope of the settlement to the point where it really only covers robosigning abuses." Click here for more.

It Has a Fancy Name, but Will It Get Tough?
Gretchen Morgenson (NYT)
January 28, 2012

"PRESIDENT OBAMA told the nation last week that he was convening a task force to investigate the abusive practices in the mortgage industry that led to our economic woes. Both lending and the practice of bundling loans into securities will come under scrutiny, he said, adding: 'This new unit will hold accountable those who broke the law, speed assistance to homeowners and help turn the page on an era of recklessness that hurt so many Americans.' Some greeted this new task force — its unwieldy name is the Residential Mortgage-Backed Securities Working Group — with skepticism. It is an election year, after all, and many might wonder if this is just a public-relations response to the outrage against the institutions and executives that almost wrecked the economy." Click here for more.

Robert Kuttner - Eric Schneiderman: Hero or Goat?
Robert Kuttner (Huffington Post)
January 29, 2012

"The activation of the administration's long dormant task force on criminal misconduct in the financial collapse, with New York's progressive attorney general Eric Schneiderman as co-chair, could be the most fateful political and economic development of the election year. There are still immense pitfalls ahead, as Wall Street allies inside the administration and on Wall Street itself try to reduce Schneiderman's role to that of symbolic fig leaf. But President Obama has done something potentially momentous for which he deserves our praise, even if he himself does not fully grasp the implications. The significance of the shift is still in play, of course, and will be made clearer as events unfold over the next several weeks. Some skeptics in the progressive community have raised questions both about the upside for Schneiderman and his motives. Given the administration's feeble record on prosecutions to date, the critics are right to flag the likelihood that people like Attorney General Eric Holder and SEC enforcement chief Robert Khazumi will try to sandbag Schneiderman. But my reporting suggests that they underestimate both the man and the dynamics that have been set loose. The surprising move raises several questions." Click here for more.

Joel Sucher - It's a Mad, Mad, Mad, Mad Mortgage Investigation
Joel Sucher (American Banker)
February 1, 2012

"There was this marvelous photo taken on Jan. 27 at the Department of Justice. It's the press conference where Attorney General Eric Holder announced the formation of a joint task force charged with investigating 'an era of recklessness that hurt so many Americans,' to quote a phrase used by President Obama a few days earlier in his State of the Union address. At the podium stood New York Attorney General Eric Schneiderman, his face expressive, his body language transmitting an 'I'll take charge' sensibility. To his right stood Housing and Urban Development Secretary Sean Donovan, staring at the New York AG, seemingly taciturn, with stiff upper lip, but projecting a hint of annoyance. …I couldn't help visualizing little cartoon bubbles above each head, maybe with Schneiderman's voicing a strident 'We're gonna clean house!' while Donovan's meekly entreats, 'I think I can, I think I can, I think I can really deliver that settlement.' The bubble above the head of Holder, I'll postulate, sports a resigned 'Not really looking forward to this one…' The only really happy camper seemed to be Schneiderman, who now seems to have snatched victory from the jaws of imminent defeat with the announcement that he'd be co-chairing the task force." Click here for more.

Steven Berk - The Residential Mortgage-Backed Securities Working Group: Too Little Too Late
Steven Berk
January 31, 2012

"With great fanfare, the President announced during his State of the Union the formation of the Residential Mortgage-Backed Securities Working Group. The mission: "To expand our investigations into the abusive lending and packaging of risky mortgages that led to the housing crisis." It's headed up by an all-star cast of law enforcement elites: Robert Khuzami, Shaun Donovan, Eric Schneiderman, John Walsh, Tony West, and Lanny Breuer. But here's the problem: First, did someone check the calendar? This is 2012. The mortgage crisis occurred in 2008! Taxpayers have already footed the bill to the tune of hundreds of billions of dollars. Remember that little thing called the TARP? So what now? Memories have faded, defenses have been constructed, people have moved on. …You don't send the police out four years after the crime. …This is window dressing for an election year sound bite—nothing more." Click here for more.

Janis Bowdler - Attorneys General: It's Time to Close the Deal
Janis Bowdler (Director, Wealth-Building Policy Project, NCLR)
January 30, 2012

"On Friday, January 27, President Obama followed up on a promise made in his State of the Union Address by creating a new working group to aggressively investigate the abuses that triggered the housing crisis. We know that President Obama means business because he chose New York Attorney General (AG) Eric Schneiderman—a champion for taxpayers and homeowners—to lead this unit focused specifically on lending fraud and mortgage abuses. True accountability is necessary to restore the public's faith in our national housing system. With Schneiderman and his team in place, the time has come for state AGs to bring their ongoing negotiations with mortgage servicers over the robosigning scandal to a successful conclusion. The 18 months since the robosigning scandal first broke have not been kind to Hispanic homeowners or the housing market in general. Latinos have lost 66% of their wealth thanks to the foreclosure crisis; this will leave lasting effects on their retirement and ability to finance their children's education. Home values have dropped by as much as a third since 2006 and more than ten million families owe more than their home is worth." Click here for more.

David Dayen - HAMP Changes Probably Insufficient to Induce Any More Principal Reduction
David Dayen (Firedoglake)
January 31, 2012

"I didn't think much of the HAMP changes announced last Friday, but my pessimism mainly came from the fact that HAMP itself is an irreparably damaged program that nobody wants to use. There's also the point that the GSEs are generally uninterested in a principal reduction program, and that has not changed. Ed DeMarco's statement about the HAMP changes reflects that. It doesn't seem like he's warmed to the idea. 'FHFA's assessment of the investor incentives now being offered will follow its previous analysis, including consideration of the eligible universe, operational costs to implement such changes, and potential borrower incentive effects,' said FHFA Acting Director Edward DeMarco in a statement Friday." Click here for more.

Sanford D. Horwitt - Alinsky, Foreclosures and Holding Banks Accountable
Sanford D. Horwitt (Huffington Post)
January 31, 2012

"Memo to the Obama Administration: if you want to see the makings of a national model to hold big banks accountable for fixing foreclosure-devastated neighborhoods, go to Milwaukee and talk to citizen leaders of a community organization who are practicing what Saul Alinsky preached. 'You broke it, you fix it,' demonstrators chanted outside Wells Fargo's downtown Milwaukee headquarters on a cold January day two years ago. The scores of angry citizens were members of a broad-based community organization, Common Ground, that is comprised of some 40 interfaith religious congregations and other organizations. Ultimately, they targeted not only Wells Fargo but also four other large banks -- Deutsche Bank, U.S. Bank, Bank of America, JP Morgan Chase -- that either owned, were trustees or servicers of foreclosed houses." Click here for more.

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Executive Compensation

The Growing Backlash Over CEO 'Pay Ratios'
Karen M. Kroll (CFO World)
February 2, 2012

"Several dozen business groups, including the American Insurance Association, Business Roundtable, National Investor Relations Institute, and the U.S. Chamber of Commerce recently wrote Mary Schapiro, chair of the Securities and Exchange Commission, regarding Section 953(b) of the Dodd-Frank Act. This section requires publicly held companies to disclose in their filings the annual total compensation of their CEO, as well as the ratio of his or her pay to the median compensation of the rest of the organization's employees. The signatories ask the SEC to 'engage in expanded public outreach and consideration of alternatives before moving forward with a public release of proposed rules implementing Section 953(b).' Among other recommendations, they advise the SEC to convene a roundtable discussion with experts in order to better understand any unintended consequences of the disclosure requirements. They also recommended that the SEC submit its proposed rule to the government's Office of Information and Regulatory Affairs (OIRA), in order to better understand its likely costs and benefits. (OIRA, established by Congress in the 1980 Paperwork Reduction Act, reviews the collection of information by the federal government, among other functions.)" Click here for more.

Disputed rule intended to shame CEOs
Peter Schroeder (The Hill)
February 3, 2012

*"Business groups and unions are sparring over a little-known provision in the Dodd-Frank reform law that supporters concede is an effort to shame the nation's highest-paid CEOs. The rule, which predates the Occupy Wall Street movement but channels it in spirit, requires companies to disclose the difference in pay between their chief executives and average employees. … Critics of the provision are at work trying to repeal it. The House Financial Services Committee approved legislation sponsored by Rep. Nan Hayworth (R-N.Y.) that would do away with the disclosure requirement. But the repeal movement is unlikely to make headway in the Senate, where Democrats are lining up behind President Obama's election-year message of working to "level the playing field" for workers and reduce income inequality. With repeal unlikely for now, industry groups are encouraging regulators to take their time implementing the provision, and to solicit plenty of business input along the way. Labor groups and other critics of Wall Street, meanwhile, are urging the Securities and Exchange Commission to move swiftly to put the requirement in place, and dismiss arguments that it's more trouble than it's worth. 'It's quite astounding that a relatively simple disclosure requirement would trigger so much hand-wringing,' said Brandon Rees of the **AFL-CIO,** which pushed for the provision's inclusion in Dodd-Frank. 'They will be embarrassed, and that's the whole point,' Rees said." Click here for more.*

Click here to read our letter to SEC Chairman Mary Schapiro, asking that the SEC not delay in implementing corporate governance and executive compensation reforms.

Goldman Executives Get Access to Restricted Stock
Reuters
January 28, 2012

"Top Goldman Sachs Group Inc executives received previously restricted stock awards that are now worth $47.7 million, according to regulatory filings, though the executives are still limited in selling most of their Goldman stock. Chief Executive Lloyd Blankfein, Chief Financial Officer David Viniar, Chief Operating Officer Gary Cohn and top investment banker and vice chairman John Weinberg each received 45,497 shares worth $5.1 million, based on Goldman's closing price of $111.77 on Friday. Seven other executives each received previously awarded shares worth $2.8 million to $5 million, according to Form 4 filings with the U.S. Securities and Exchange Commission. Among those executives are vice chairmen Michael Evans and Michael Sherwood, as well as Goldman's legal chief, Gregory Palm, its accounting chief, Sarah Smith, and compliance chief Alan Cohen." Click here for more.

Morgan Stanley, Citigroup Lead Investment Bank Pay Cuts
Patrick Clark (Bloomberg)
Jan 30, 2012

"James Gorman, chairman and chief executive officer of Morgan Stanley, talks about global market conditions, the European sovereign-debt crisis and financial regulation. Gorman, speaking with Bloomberg's Erik Schatzker at the World Economic Forum's annual meeting in Davos, Switzerland, also discusses Morgan Stanley's compensation measures. They speak on Bloomberg Television's 'InBusiness With Margaret Brennan.' (Source: Bloomberg) Morgan Stanley (MS), Citigroup Inc. (C) and Credit Suisse Group AG (CSGN) made some of the year's biggest cuts in compensation for investment bankers, averaging as much as 30 percent, as Wall Street firms grappled with lower revenue. A table summarizing changes in compensation appears below. Morgan Stanley, owner of the world's largest brokerage, will also cap cash awards and defer more payouts, people with knowledge of the plans have said, while Zurich-based Credit Suisse (CS), Switzerland's second-largest bank, plans to give a portion of senior employees' bonuses in bonds backed by derivatives. New York-based Citigroup may cut some bonuses in the securities and banking unit as much as 70 percent." Click here for more.

Lucian Bebchuk - Executive Pay and the Financial Crisis
Lucian Bebchuk (Harvard Law School)
February 1, 2012

"Editor's Note: *Lucian Bebchuk is Professor of Law, Economics, and Finance and Director of the Corporate Governance Program at Harvard Law School. This post is the opening statement in an online debate at a World Bank forum between Lucian Bebchuk and René Stulz on the question: Has executive compensation contributed to the financial crisis? …Yes, there is a good basis for concern that executive pay arrangements have contributed to excessive risk-taking during the run-up to the financial crisis. To be sure, other factors were clearly at work: the environment within which firms operated grew riskier due to asset bubbles generated by macro policies and global factors, and regulatory constraints on risk-taking and capital requirements were too lax. As financial economists generally recognize, however, for any given environment and outside constraints, the performance and risk choices of firms depend substantially on the incentives of firms' executives. Unfortunately, rather than provide incentives to avoid excessive risk-taking, the design of pay arrangements in financial firms encouraged such risk-taking." Click here for more.*

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Student Lending

Cost Looms Large for Obama's Student Loan Interest Rate Cut
Jason Delisle (New American Foundation)
January 31, 2012

"Last week President Obama called on Congress in his State of the Union address 'to stop the interest rates on student loans from doubling in July.' That line surely left a lot of people (Washington's education policy circles not included) wondering what in the world the president was talking about. Is Congress really planning to double the interest rate on federal student loans this summer? The answer is yes, no, and maybe. In other words, it's complicated. What's more, a newly released estimate from the Congressional Budget Office shows that the cost of the president's request will weigh heavily in any debate on the proposal. Interest rates on Unsubsidized Stafford student loans, which are federal loans available to all students, issued for this academic year (2011-12) are fixed at 6.8 percent. The same rate has been charged on these loans issued since July of 2006. However, the interest rate is fixed at 3.4 percent for a subset of federal student loans – Subsidized Stafford loans for lower-income undergraduate students – issued this academic year. That rate is only temporarily available, and beginning in the 2012-13 academic year, the rate on that subset of loans will be the same as for Unsubsidized Stafford loans, 6.8 percent. So yes, rates are set to double for newly issued loans made to a subset of undergraduates after July 1, 2012." Click here for more.

Online Campaign Prompts Sallie Mae to Change Fee Policy for Loan Suspensions
Tamar Lewin (NYT)
February 2, 2012

"On Thursday, three months after Bank of America backed down from imposing a $5 monthly debit card fee in response to an online Change.org petition that collected 300,000 signers, Sallie Mae, the nation's largest private student-loan provider, changed its fee policy in response to an online petition. For years, Sallie Mae had required unemployed people who could not afford their monthly payments to pay a $50-per-loan fee every three months to suspend their payments temporarily, even as interest charges mounted. Sallie Mae called this forbearance fee a 'good faith deposit' — but it was neither credited to the borrower's account nor refunded. Stef Gray, 23, a New Yorker who owes $600 a month on four loans, saw it as a predatory effort to squeeze blood from a generation of turnips — graduates already buried under a mountain of student debt. In November, she started a petition, 'Tell Sallie Mae: Stop the Unemployment Penalty' with Change.org., a group based in San Francisco. "Sallie Mae is preying on people like me and cashing in on the fact that we need more time to find work before we can repay our student loans," it said." Click here for more.

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FTT

Sarkozy Says France Will Impose Transaction Tax in August
Helene Fouquet and Mark Deen
January 30, 2012

"France plans to unilaterally impose a 0.1 percent tax on financial transactions starting in August, President Nicolas Sarkozy said, brushing aside opposition from the nation's banks. 'What we want to do is provoke a shock, to set an example," Sarkozy said late yesterday on French television from Paris. "There's no reason why deregulated finance, which brought us to the current situation, can't participate in the restoration of our accounts.'" Click here for more.

Germany Still Aims For EU-Wide Financial Transaction Tax
Andrea Thomas (Dow Jones Newswires)
January 30, 2012

"Germany won't follow France's example and go ahead with the introduction of a national financial transaction tax and instead aims for the introduction of a broad, European-Union wide tax, a finance ministry spokesman said Monday. 'Nothing has changed' for Germany, finance ministry spokesman Martin Kotthaus told reporters. 'We are discussing in Europe...the issue of a financial transaction tax based on the European Commission's proposal. We want this to be discussed as broadly and quickly as possible in order to see as soon as possible whether this is a path than can be pursued, and if not to discuss what the alternatives can be.'" Click here for more.

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Investor Protection

Nine Public Interest Organizations Urge SEC to Reject Carlyle Group's Forced Arbitration Language in Registration Statement

Click here *to view the letter from nine public interest organizations (including AFR) to the U.S. Securities and Exchange Commission, asking the agency to reject the Carlyle Group, L.P.'s attempt to insert forced arbitration language into its registration statement for its initial public offering. The inserted language both limits shareholders' rights and weakens the agency's oversight abilities.*

Carlyle Drops Class-Action Lawsuit Ban
Miles Weiss
February 3, 2012

"Carlyle Group LP abandoned a plan to ban shareholders from filing class-action lawsuits, a proposal that could have delayed the private-equity firm's long-awaited stock sale. The Washington-based firm amended the documents for its initial public offering last month to include a provision that would have required future stockholders to resolve any claim against Carlyle through arbitration rather than in court. The move provoked controversy among lawmakers and shareholder rights advocates, who were waiting to see whether the U.S. Securities and Exchange Commission would allow Carlyle's IPO to proceed with the arbitration clause in effect." Click here for more.

Big Banks, Money, and Politics

Auction 2012: How The Bank Lobby Owns Washington
Dan Froomkin and Paul Blumenthal (Huffington Post)
January 30, 2012

"Auction 2012 is a weeklong series in collaboration with "The Dylan Ratigan Show" and United Republic. When Washington puts policy on the auction block, bankers are consistently the highest bidders. The industry's most striking victory has been the watering down of post-financial crisis reforms, to the point that banks are now bigger than ever and the bonuses keep flowing. But Wall Street's campaign spending and lobbying power is so intimidating that banks have repeatedly stuck the public with the tab for their losses and no one in Washington stops them. Why hasn't the government done something about outrageous ATM fees? Or credit card interest rates up to 30 percent? Bankers' clout is such that common-sense pro-consumer legislation is presumptively dead on arrival at Capitol Hill if it threatens banks' revenue streams." Click here for more.

Big Business Wants to Hide Political Contributions
Jay Youngdahl (East Bay Express – CA)
February 1, 2012

"East Bay activists and others are rightly concerned about the tsunami of One Percent money that is crashing over our elections. Yet the US Chamber of Commerce, the self-described 'world's largest business federation,' is in a tizzy over a California Public Employee Retirement System rule that seeks transparency. The rule asks governing boards of companies in which CalPERS invests to set policies for oversight of political campaign contributions and to disclose the contributions once a year. So what is big business trying to hide? In theory, publicly traded companies are accountable to shareholders, large and small. Yet in fact, corporate management of large companies usually treats shareholders like adversaries. And the chieftains spend shareholder money on lawyers, lobbyists, and lawmakers to manipulate politics to their advantage. CalPERS is one of the largest owners of corporate stock in the world. Concerned about corporate influence in elections, state Treasurer Bill Lockyer wrote the CalPERS Investment Committee last year and argued that as a shareholder, CalPERS needs to know if corporate political spending is consistent with the 'values' of each company and its 'profitability,' calling for transparency of corporate political donations." Click here for more.

Obama Wall Street Fundraising Evaporates As Donors Flee To Romney
Sam Stein and Paul Blumenthal (Huffington Post)
February 2, 2012

"President Barack Obama has been abandoned by the world of finance. Over the course of the 2012 election, his presidential campaign has received about one dollar in donations from the financial sector for every five dollars given to his top competitor, Mitt Romney, according to figures provided by the Center for Responsive Politics (CRP). During the final three months of 2011, however, the margin has widened dramatically. The Huffington Post examined campaign contributions from four highly influential finance sectors to both Obama and Romney. Using categories compiled by CRP, the 20 most politically active commercial banks, hedge funds, securities firms and "private equity and investment" firms were pinpointed (i.e. those with the strongest history of political donations); some lists overlapped. But between them, 68 separate companies were identified. In the fourth quarter of 2011, Romney raised $1.49 million from

employees of those 68 companies while the president's reelection campaign raised just $127,000 -- an 11.7-to-1 ratio. It was the most lucrative quarter for Romney yet." [Click here for more.]

Goldman Sachs to Fund Romney Over Obama
Jonathan D. Salant (Bloomberg)
February 1, 2012

"Mitt Romney's investment background, criticized by some of his Republican presidential rivals, is helping him build a financial advantage over them. In the fourth quarter of last year, eight of the 10 biggest donors to Romney, co-founder of Boston-based Bain Capital LLC, a private-equity firm, worked for banks and investment funds, according to data compiled by Bloomberg based on U.S. Federal Election Commission information released yesterday. Citigroup Inc. (C) employees gave $196,600. Those at JPMorgan Chase & Co. donated $180,518, and Goldman Sachs Group Inc. (GS) workers contributed $106,580. For the whole campaign, Goldman Sachs employees and their families have been the largest source of campaign cash for Romney, according to the Center for Responsive Politics, a Washington-based group that tracks political money. [Click here for more.]

Private Equity Industry Launching Multi-Million Dollar Public Affairs Campaign
Chris Frates (National Journal's Influence Alley)
February 2, 2012

"In a concerted effort to counter negative coverage from the presidential campaign trail, the Private Equity Growth Capital Council launched a multi-million education and public affairs campaign Thursday called "Private Equity at Work." The campaign's website, PrivateEquityatWork.com, includes industry fact sheets, a blog, an industry primer and case studies that will be marketed through an online advertising campaign aimed at policymakers and the media. The campaign is the first major effort under Steve Judge, who was named PEGCC president earlier this week. 'There is a real lack of understanding about private equity - what it does, how it works and who benefits from it,' Judge said in a statement. 'We wanted to set the record straight by providing credible and up-to-date information about the industry and our proven record of strengthening companies, creating jobs and delivering impressive returns to pensions and other investors that bolster the financial security of millions of average Americans.'" [Click here for more.]

Other

With Tax Break, Corporate Rate Is Lowest in Decades
Damian Paletta (WSJ - subscription required)
February 3, 2012

"U.S. companies are booking higher profits than ever. But the number crunchers in Washington are puzzling over a phenomenon that has just come into view: Corporate tax receipts as a share of profits are at their lowest level in at least 40 years. Total corporate federal taxes paid fell to 12.1% of profits earned from activities within the U.S. in fiscal 2011, which ended Sept. 30, according to the Congressional Budget Office. That's the lowest level since at least 1972. And well below the 25.6% companies paid on average from 1987 to 2008." [Click here for more.]

Home prices drop, and consumers turn gloomy
Leah Schnurr (Reuter)
January 31, 2012

"Home prices fell more steeply than expected in November, and consumer confidence soured in January, highlighting the hurdles still facing the economic recovery. The S&P/Case-Shiller composite index of single-family home prices in 20 metropolitan areas declined 0.7 percent on a seasonally adjusted basis, a survey showed on Tuesday, a bigger drop than the 0.5 percent economists expected. The decrease added on to the 0.7 percent decline seen in October from September." [Click here for more.]

Dodd-Frank in One Graph
Karen Weise (Business Week)
February 1, 2012

"Big portions of the financial reform law are set to go into effect this year. Intended to make corporate practices transparent, the law itself is anything but. The government has yet to spell out the details of most of the 400 new regulations it imposes. A non-headache-inducing guide." Click here to view graph.

Tim Geithner: 'no credible evidence' financial reform hurting recovery
Josh Boak (Politico)
February 2, 2012

"Treasury Secretary Tim Geithner punched back hard at Republican critics Thursday, declaring there's 'no credible evidence' that the administration's sweeping financial reforms have harmed the economy. Republican presidential candidates Mitt Romney and Newt Gingrich have both pledged to repeal the 2010 Dodd-Frank law, telling primary voters that stricter oversight of banks, brokerages and investment funds has suffocated lending and damaged the housing market. But Geithner said the law could prevent a repeat of the financial implosion that left more than 13 million Americans unemployed, prominent banks and companies near bankruptcy, and vast swaths of the country on the verge of foreclosure. 'If you want to go back to that, if you want to choose that future, then you should be in favor of repeal of the law," he said at a news conference Thursday. "There is no credible evidence to support the argument that these reforms are having a material negative effect on the ability of the economy to recover and grow. In fact, the evidence is overwhelmingly the opposite.'" Click here for more.

CNN GPS Sunday: Geithner predicts 2% to 3% U.S. growth
Fareed Zakaria, CNN
January 27, 2012

"'I don't think there's much basis for that view, although it is true that we are putting in place very tough reforms in the financial sector. We're trying to improve how the U.S. health care system works, and we're trying to change how Americans use energy. And those are necessary, desirable, very important long-term reforms ...'But I think if you look at the evidence we have about how the economy is doing and how the business community is doing in particular, the reality does not justify that sense. ...You know, profitability across the American economy is very, very high. Profits are higher than the pre-crisis peak. If you look at investment as a measure of confidence, private investment and equipment of software is up more than 30 percent since the trough in the first half of '09.' Click here for more.

Bernanke Sees Improvement in Economy
Joshua Zumbrun (Bloomberg)
February 2, 2012

"Federal Reserve Chairman Ben S. Bernanke said the economy has shown signs of improvement while remaining vulnerable to shocks, and he called on lawmakers to reduce the long-term U.S. budget deficit. 'Fortunately, over the past few months, indicators of spending, production, and job-market activity have shown some signs of improvement,' Bernanke said today in testimony to the House Budget Committee in Washington. 'The outlook remains uncertain, however, and close monitoring of economic developments will remain necessary.'" Click here for more.

Click here to view/read Chairman Bernanke's testimony before the House Committee on the Budget entitled "The State of the U.S. Economy".

Small business owners seek end to unfair competition
Lynn Ducey Phoenix Business Journal)
February 1, 2012

"A nationwide survey of 500 small businesses reveal that more regulations are needed to protect small businesses from what they perceive to be unfair competition from large companies. The survey by the American Sustainable Business Council, Main Street Alliance and Small Business Majority was conducted between Dec. 8, 2011 and Jan. 4, 2012 by Lake Research Partners on behalf of the groups. The survey

showed that 34 percent said weak customer demand was the most important problem for their business, while only 14 percent named government regulations." Click here for more.

Click here to view full poll results.

STOCK Act passes Senate by vote of 96-3
Scott Wong (Politico)
February 2, 2012

"The Senate broke through its usual gridlock on Thursday and easily passed a politically popular bill that would ban insider trading for lawmakers and their staffs. After days of bickering over amendments, the STOCK Act sailed through the Senate on a 96-3 vote, and now heads to the House where Majority Leader Eric Cantor (R-Va.) has pledged to bring the bill to the floor next week. Sens. Tom Coburn (R-Okla.), Richard Burr (R-N.C.) and Jeff Bingaman (D-N.M.) were the only 'no' votes." Click here for more.

The Trading Habits of U.S. Lawmakers
Matt Koppenheffer (The Motley Fool)
January 30, 2012

"Pick a random member of Congress, and chances are, they're wealthier than you. In all likelihood, they're far *wealthier than you. According to research by the Center for Responsive Politics, 250 members of Congress, or roughly 47%, are millionaires. The median net worth of a U.S. senator stood at $2.6 million in 2010. Not bad. The median net worth of U.S. households is closer to $100,000. But as momentum grows for the passage of the STOCK Act, many voters are wondering whether some of that wealth was built by trading stocks based on insider information that Congress members received because of their position in Washington. As the law currently stands, Congress can trade on insider information without fear of prosecution." Click here for more.*

How the Fed Presidents' Assets Stack Up
Binyamin Appelbaum (NYT)
January 31, 2012

"The Federal Reserve, in its latest show of transparency, on Tuesday made available to the public the annual financial disclosures filed by the 12 presidents of its regional banks for 2010. Unfortunately, only the Atlanta Fed put its president's disclosure online. So we're posting the entire set in a document viewer. What did we learn? Some Fed presidents are very wealthy; a few have strikingly little wealth. Some hold shares in individual companies; some prefer index funds. And as a group, they have much more reason to fear inflation, which weighs on the wealthy, than to fear high unemployment, which so far has not cost them their jobs." Click here for more.

Facebook Picks Morgan Stanley to Lead IPO
Douglas MacMillan, Lee Spears and Serena Saitto (Bloomberg)
February 1, 2012

"Facebook Inc., the world's largest social-networking service, chose Morgan Stanley to take the lead on its planned initial public offering, four people with knowledge of the matter said. Facebook will file plans with regulators today to raise $5 billion, though the amount may increase, two people said. Morgan Stanley stands to earn a larger share of the fees collected by securities firms for arranging the IPO. Goldman Sachs Group Inc., JPMorgan Chase & Co. (JPM), Barclays Plc (BARC) and Bank of America Corp. will help with the sale, said the people, who asked not to be identified because the matter is private." Click here for more.

Milken Institute - Former Regulators Propose a Watchdog for Financial Watchdogs
Milken Institute oress release
January 31, 2012

"The standard prescription for curing what ails financial regulation -- seemingly applied after each spectacular systemic failure -- is to layer on more regulations and more regulators to enforce them. Three experts on banking regulation, James Barth (Milken Institute), Gerard Caprio (Williams College) and Ross Levine (Brown University), offer a novel alternative, one summed up by Ronald Reagan in an entirely different context: trust but verify. The authors' suggestion -- create a watchdog for financial regulators -- is described in detail in an article in the new issue of The Milken Institute Review, 'Guardians of Finance:

Making regulators work for us,' drawn from their forthcoming book of the same title by MIT Press." Click here for more.

Ex-Credit Suisse CDO Chief Charged in Scheme to Boost Bonuses
Patricia Hurtado and Bob Van Voris (BusinessWeek)
February 2, 2012

"Kareem Serageldin, Credit Suisse Group AG's former global head of structured credit trading, was charged in a scheme to falsify prices tied to collateralized debt obligations to meet targets and boost year-end bonuses for his $5.35 billion trading book. Serageldin, 38, who lives in the U.K. and led the securities department of Credit Suisse's investment banking division, was named in an indictment unsealed yesterday in New York. Two of his former subordinates, David Higgs, 42, and Salmaan Siddiqui, 36, pleaded guilty in federal court in New York yesterday and said they're cooperating with the U.S. in the probe." Click here for more.

A finance professor turns to literary analysis
The Economist
January 14, 2012

"IT BEGAN as a review of three books on the financial crisis for a wonky journal. Currently, the book count stands at 21 and although the official publication date is still in the future, the draft already has a life of its own in policymaking circles. In 2010 Andrew Lo, a professor at MIT's Sloan School of Management, was asked by the* Journal of Economic Literature *to write a review of three or four of the more important academic books on the crisis. The initial sample, he thought, was too small. There were lots of useful books on the topic, from journalists as well as academics. Widening the spectrum would also highlight areas of disagreement between authors." Click here for more.*

Hensarling eyes financial panel gavel
Jonathan Allen (Politico)
January 29, 2012

"Jeb Hensarling has quietly moved into position to grab the gavel of the House Financial Services Committee next year. Whether the conservative Texas Republican will give up his post as conference chairman, the No. 4 slot in GOP leadership, to run for the top spot on the committee remains an open question. But as Republicans start to look beyond the current committee chairman, term-limited Alabama Rep. Spencer Bachus, and game out other post-election leadership changes, Hensarling is emerging as the strong favorite to run an increasingly high-profile panel that oversees banking, housing and insurance policy and is the primary staging ground for Republican efforts to repeal the Dodd-Frank Act and sever ties between the federal government and mortgage giants Fannie Mae and Freddie Mac." Click here for more.

Citi Chairman Parsons Considers a Departure
Suzanne Kapner (WSJ – subscription required)
January 30, 2012

"Richard D. Parsons, who as chairman of Citigroup Inc. helped steer the bank through its near-death experience in the financial crisis, is considering stepping down after three years in the post, said people familiar with the situation. The 63-year-old Mr. Parsons is expected to decide by early March, these people said. Regardless of his decision, Citigroup is expected to keep separate the posts of chairman and chief executive, these people said." Click here for more.

BofA Reshuffles Unit
Dan Fitzpatrick and David Enrich (WSJ – subscription required)
January 30, 2012

"Bank of America Corp. shook up its investment-banking leadership Sunday, naming Christian Meissner as the sole head of that business, said people familiar with the situation. The move, which was announced in an internal memo, is the latest executive shuffle since the bank's 2009 purchase of securities firm Merrill Lynch & Co. Appointing the Austrian-born Mr. Meissner to the top spot dismantles a structure put in place last April when he, Michael Rubinoff and Paul Donofrio were named co-heads of global corporate and investment banking." Click here for more.

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Upcoming Events

Capitol Hill

House Committee on Financial Services

Hearing entitled "Limiting the Extraterritorial Impact of Title VII of the Dodd-Frank Act"
Capital Markets and Government Sponsored Enterprises
February 8, 2012 2:00 PM in 2128 Rayburn HOB

Hearing entitled "Legislative Proposals to Promote Accountability and Transparency at the Consumer Financial Protection Bureau"
Financial Institutions and Consumer Credit
February 8, 2012 10:00 AM in 2128 Rayburn HOB

House Small Business Committee

No pertinent markups/hearings scheduled as of 2/3/12

House Committee on Agriculture

No pertinent markups/hearings scheduled as of 2/3/12

Committee on Oversight and Government Reform

No pertinent markups/hearings scheduled as of 2/3/12

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

No pertinent markups/hearings scheduled as of 2/3/12

Senate

Senate Banking, Housing, and Urban Affairs Committee

At 10:00 a.m. on Thursday, February 9, 2012 in Room 538, Dirksen Senate Office Building, the Committee will meet in OPEN SESSION to conduct a hearing entitled "State of the Housing Market: Removing Barriers to Economic Recovery". The witnesses will be Dr. Mark Zandi, Chief Economist, Moody's Analytics; and Mr. Christopher Mayer, Paul Milstein Professor of Real Estate, Finance, and Economics, Columbia Business School. Additional witnesses may be announced at a later date.

Senate Committee on Finance

No pertinent markups/hearings scheduled as of 2/3/12

Senate Committee on Agriculture, Nutrition and Forestry

No pertinent markups/hearings scheduled as of 2/3/12

SEC

No pertinent markups/hearings scheduled as of 2/3/12

CFTC

No pertinent markups/hearings scheduled as of 2/3/12

CFPB

National Credit Union Administration (NCUA) Board Chairman Debbie Matz will host a free webinar with Richard Cordray, the first Presidentially appointed director of the Consumer Financial Protection Bureau (CFPB), on Wednesday, Feb. 8, at 3 p.m. EST.

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.

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.