AMERICANS FOR FINANCIAL REFORM

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THIS WEEK IN WALL STREET REFORM

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JOBS Act and Investor Protection

Senate passes JOBS Act, with tweak
Seung Min Kim (Politico)
March 22, 2012

"The Senate on Thursday approved a package of bills that relaxes federal regulations to help boost small businesses and startup companies as the economy continues to recover. Senators passed the JOBS Act on a 73-26 vote Thursday, two weeks after the House voted 390-23 to approve it. The measure is backed by President Barack Obama in a rare, election-year agreement in a polarized Washington. But Democrats and several Republicans successfully changed the bill in a way they said would provide more stringent safeguards for investors. That means it now heads back to the House, instead of to the president's desk for his signature." Click here for more.

AFR Press Statement: Senate Passage of JOBS Act

Click here to view AFR's press statement.

Excerpt:

> *"We are deeply disappointed by the Senate passage of the so called "JOBS Act." With the country still suffering from hard times and high unemployment in the wake of the financial crisis, it is almost unbelievable that the Senate would rush passage of measures that will undermine transparency and accountability in the capital markets, and expose our families to a new round of fraud and abuse. But that is what they have*

Click here to view CFA's press statement, **click here** to view AARP's press statement, **click here** to view US PIRG's press statement, **click here** to view Public Citizen's press statement, **click here** to view AFL-CIO's, **click here** to view the Council of Institutional Investors' press statement, **click here** to view the American Sustainable Business Council's press statement supporting the crowdfunding amendment and **click here** to read their blog post.

WSJ editorial - The Anti-Jobs Lobby
WSJ editorial
March 19, 2012

"For months we've heard that the only obstacle to Congressional progress is the GOP refusal to work with Democrats. But then what to make of the sudden opposition from regulators, liberals and some Senate Democrats to the bipartisan Jobs Act that passed the House 390-23 less than two weeks ago? Hint: Maybe the real obstacle is Washington's refusal to cede any control over even a small corner of the private economy. In writing the Jumpstart Our Business Startups Act, Republicans followed the script that the media-Beltway elite said they should. No 'radical' entitlement or tax reform to address big problems. They were supposed to think small, hold hands with Democrats and sing Kumbaya at the Gridiron Club. And so House Republicans focused on modest reforms that would help the economy by making it easier for companies to raise capital, reinvigorate initial public offerings and make U.S. markets more competitive. They reached across the aisle to include proposals from Democrats. They drew in the White House—and 232 Republicans and 158 Democrats. But now that the bill is headed for the Senate floor, a chunk of the Beltway elite is refusing to support even this modest regulatory reform. The SEC and its media chorus are suddenly waving the bloody shirt of 'deregulation.' Senate Majority Whip Dick Durbin took to the Senate floor last week to invoke 'the dot-com crash, the Enron debacle, and the litany of bubbles and bursts.' Click here for more.

Durbin, Dem colleagues at odds over House bill to ease corporate regulations
Alexander Bolton (The Hill)
March 20, 2012

"Sen. Dick Durbin is fighting his top Democratic colleagues, Majority Leader Harry Reid and Sen. Charles Schumer, who want to move a bill easing regulation of Wall Street. Despite mounting election pressures, Durbin (D-Ill.) is digging in his heels against giving new companies a five-year exemption from accounting and corporate governance rules. …Consumer advocacy groups and labor unions were slow to mobilize

*against the bill, but urged senators in writing on Monday to make substantial revisions. 'The JOBS Act was rushed through the House without any attention to its potentially devastating impact on investors, market transparency, and the integrity of our capital markets,' groups wrote in a March 19 letter opposing the House-passed bill. 'This legislation will leave seniors and families retirement savings at greater risk of fraud and speculative losses, and will strip accountability and transparency requirements that make markets work better for investors and businesses alike.' Labor unions including the **AFL-CIO** and the **American Federation of State, County and Municipal Employees**, as well as groups such as **Consumers Union**, **Consumer Federation of America**, **Public Citizen** and **Americans for Financial Reform,** signed the letter. Senate aides predict the substitute amendment, sponsored by Sens. Carl Levin (D-Mich.), Mary Landrieu (D-La.) and Jack Reed (D-R.I.), will fail to reach the 60 votes needed to pass. That would set the underlying House legislation up for a final voter either later in the day or later in the week. It is expected to pass with solid bipartisan support. If the Democratic substitute amendment fails, Durbin and his allies will not have another chance to amend the underlying legislation — aside from reauthorizing the Export-Import Bank. A senior aide to Reid has told liberal groups that passage of the Ex-Im Bank amendment would give Senate negotiators a chance to make further changes to the legislation in Senate-House conference negotiations, but that claim has been met with skepticism. Critics of the House-passed bill are skeptical that it could be revised substantially on the grounds that the Senate added language authorizing the bank, whose core mission is to help foreign customers, to finance large-scale purchases from U.S. companies." Click here for more.*

Simon Johnson: "JOBS" Disaster Looms
Simon Johnson (Baseline Scenario)
March 21, 2012

"The House 'JOBS' bill is a thinly disguised repeal of investor protection in the United States. This legislation would help unscrupulous people in the securities industry but it would be bad for nonfinancial businesses – by raising the risks to investors, it would push up the cost of capital for honest entrepreneurs. Investment professionals belonging to the CFA Institute have expressed their serious concerns and strong opposition. Attempts to amend this legislation – and to make it more sensible – failed in the Senate yesterday. The Senate will vote today on whether to adopt the main provisions of the House bill. Passing this bill would be a major public policy mistake – akin to the disastrous (and bipartisan) deregulation of the financial sector in the 1990s. This kind of excessive deregulation leads to disaster – and to fiscal crisis. (For more background and the historical comparison, see this piece.) President Obama claims he wants strong investor protection. Where is he on the specifics of the JOBS bill? Why is the White House staying so much on the sidelines during this critical Senate process? The president should rally Democratic Senators against the House bill and press again for an amended and more responsible piece of legislation. If the Republicans refuse to agree to sensible investor protections – flying in the face of American tradition and established best practice (and lessons learned the hard way in the Great Depression) – that is a great issue for the general election in November." This is the entire post.

William Black: The JOBS Act Is So Criminogenic That It Guarantees Full-Time Jobs for Criminologists
William K. Black (Huffington Post)
March 20, 2012

"Co-written with Henry N. Pontell and Gilbert Geis* *As white-collar criminologists (and a former financial regulator and enforcement head) our careers and research focus on financial fraud by the world's most elite private sector criminals and their political cronies. Therefore, we write to thank Congress and the president for preparing to adopt a JOBS Act that will provide us with job security for life. We will be the personal beneficiaries of Congress' decision to adopt the law without the pesky hearings that would allow critics to launch devastating attacks on the proposed bill based on a brutally unfair tactic -- the presentation of facts. The 'Jumpstart Our Business Startups' Act, the comically forced effort to create a catchy acronym, is the most cynical bill to emerge from a cynical Congress and Administration. It is an exemplar of why congressional approval ratings are well below those of used car dealers. The JOBS Act is something only a financial scavenger could love. It will create a fraud-friendly and fraud-enhancing environment. It will add to the unprecedented level of financial fraud by our most elite CEOS that has devastated the U.S. and European economies and cost over 20 million people their jobs. Financial fraud is a prime jobs killer." Click here for more.*

Richard Eskow: Which Lobby Wrote The "JOBS" ("Jivers' Opportunity To Bilk Suckers") Act? Solving A "Bipartisan" Mystery
Richard (RJ) Eskow (Huffington Post)
March 20, 2012

"Whenever Washington politicians get together on something 'bipartisan,' there's a very good chance it's a lobbyist-driven initiative - one that will enrich the lobbyists'' patrons, generate campaign funds for pliant politicians, and stick it pretty much everyone else. Want to know where a 'bipartisan' bill comes from? Follow the money. Scene of the Crime The so-called 'JOBS' Act is a good example: The acronym stands for "Jump Starting Business Startups," but a better name would be "Jivers' Opportunity to Bilk Suckers.' The bill is a sham that declares open season on hapless investors while offering a money-making bonanza to a variety of wealthy political patrons. And it passed the House this month with an overwhelming majority. Bills like this one don't just write themselves. Washington insiders know that many of them are drafted by industry lobbyists, then delivered to compliant legislators to be submitted and passed as 'bipartisan' solutions. But figuring out who's behind the 'JOBS' Bill is a challenge. It's like one of those Agatha Christie mysteries that take place on a wealthy estate - which is appropriate, given the average personal wealth of a Washington politician - where everybody in the story is a suspect. …But my money's on the National Venture Capital Association, since it's been the loudest Beltway backer of this bill. They have the resources, the means, and the will to draft a bill of this kind. They've been ramping up their spending over the last decade, and they're on track to spend even more this year:" Click here for more.

Yves Smith: Why You Should Hate the "Jumpstart Obama's Bucket Shops" Act
Yves Smith (Naked Capitalism)
March 20, 2012

"Obama seems determined to roll back the few remaining elements of the New Deal. As we've recounted, he's keen to cut Medicare and Social Security; he said as much in a dinner with leading conservative luminaries shortly after his inauguration. And his JOBS Act, which guts securities law protections on smaller stock offerings, is touted as a way to increase employment by helping to fund smaller businesses. In reality, the only jobs it is likely to create will be due to the resulting explosion in stock scamsters and bucket shop operators. Amar Bhide, who has written the classic, The Origin and Evolution of New Businesses, has decisively debunked the idea underlying the Obama Bucket Shop act, which is that public stock offering are an important source of funding for new businesses. The problem is, as Bhide explained, is that academics focus on the easy to study but relatively inconsequential venture capital funded companies which look to IPOs as an exit. Bhide found that only 1% of new and young businesses were funded by venture capital. Similarly, his multi-year study of Inc 500 companies found that a comparatively small portion had VC backing, and even then, many got VCs in at a late stage, not because they needed the money but having the 'right' VCs would lead to a much bigger premium when they went public. Bhide found that most new businesses are based on an insight about an business opportunity that the founders discovered as employees (ie, they saw a market niche that incumbents were ignoring). These ventures were funded by savings, friends and family, and credit cards. Click here for more.

Click here for more background information on the JOBS Act.

David Dayen: Administration Proudly Announces They Initially Proposed JOBS Act Deregulation Bill
David Dayen (Firedoglake)
March 22, 2012

"I had a little Twitter spat with Zandar today after he responded to a tweet I wrote about the STOCK Act with a rejoinder that I probably thought it was 'Obama's fault.' Zandar has adopted this Sixth Sense, 'I see Obama critics, they're everywhere' mentality of late, extending even to bashing Jon Chait, one of the most renown Obama defenders in America. I never ascribed the STOCK Act disappointment to the President so I wondered what he was talking about. And we were off. … So while I don't think the White House had much to do with the STOCK Act issue, Press Secretary Jay Carney just released a statement taking full credit for the JOBS Act, the financial deregulation bill: The President is grateful that the Senate acted in a bipartisan way to move forward ***key ideas the President proposed last fall*** *that will help our small businesses and startups access capital they need to grow and create jobs. … And let it be known that, despite the investor protections added to the crowdfunding portion of the bill, which most analysts generally support, this is still a terrible bill without a constituency or a compelling public policy reason. Here's Lisa Donner from* ***Americans for Financial Reform****: We are deeply disappointed by the Senate passage of the so called 'JOBS Act.' With*

*the country still suffering from high unemployment and hard times in the wake of the financial crisis, it is almost unbelievable that the Senate would rush passage of measures that will undermine transparency and accountability in the capital markets, and expose our families to a new round of fraud and abuse. But that is what they have done. And Lisa Gilbert of **Public Citizen's Congress Watch Division**: The toxic JOBS Act has now passed through both the House and Senate. It is a huge and embarrassing failure of the Congress that a measure such as this could pass with such ease. The underlying legislation opens the door to great risk of fraud, and will strip the accountability and sunshine requirements that make U.S. markets work better for shareholders and businesses. And **Sen. Bernie Sanders**, who comes out and calls the legislation what it is, the Con-Job Act: 'At best, this bill could make it easier for con artists to defraud seniors out of their entire life savings by convincing them to invest in worthless companies. At worst, this bill has the potential to create the next Enron or Arthur Andersen scandal or an even worse financial crisis.'" Click here for more.*

Elliot Spitzer: Kill the JOBS Act!
Eliot Spitzer (Slate)
March 19, 2012

"Once again, the Puppets on Capitol Hill are about to slam the Muppets on Main Street. The country still hasn't recovered from the Wall Street-induced financial cataclysm of 2008, yet Congress is preparing to enact the Orwellian 'JOBS Act'—a bill that should in fact be called the 'Return Fraud to Wall Street in One Easy Step Act.' The bill will undo some of the most important reforms placed on Wall Street in a generation. Ten years ago, virtually all of the major investment banks on Wall Street were charged with a monumental deception of the American investing public: touting stocks as great investments when in truth the banks believed the stocks to be 'dogs,' 'pieces of ----,' and worse. The banks did this because of the conflicts of interest woven into their business model. They were underwriting the very stocks they were also touting, making the investing public dupes helping the banks generate enormous fees. Click here for more.

NYT editorial: You Scratch My Back. ...
NYT editorial
March 19, 2012

"With their eye on campaign cash, President Obama and lawmakers from both parties have decided they can all get more from corporate constituents if they cooperate to enact legislation that big donors want. The legislation is the JOBS Act, or Jump-Start Our Business Start-Ups Act, which passed the House with White House support this month and will be voted on this week in the Senate. JOBS, named in Orwellian fashion, is not about jobs. It is about undoing investor safeguards in federal law, including parts of the Sarbanes-Oxley law and other landmark protections, so that companies can raise money without having to follow rules on disclosure, accounting, auditing and other regulatory mainstays. Its proponents — stock exchanges, venture capital groups, biotech start-ups, investment banks — say that the easier it is for companies to raise money, the more they will grow and hire workers. Its opponents — the current and former chairmen of the Securities and Exchange Commission, the association of state securities regulators, AARP, the Consumer Federation of America, the A.F.L.-C.I.O. labor federation and unions, several big pension funds and many prominent securities experts — have presented ample evidence to show that deregulation raises the cost of capital by harming investors and impairing markets, making it harder for legitimate companies to thrive." Click here for more.

Click here for more background information on the JOBS Act, including letters and additional articles.

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CFPB and Consumer Issues

Consumer-Protection Agency Launches 'Ask CFPB' Tool
Maya Jackson Randall (WSJ – subscription required)
March 22, 2012

"What is a credit report? Is a reverse mortgage right for me? These are the kinds of questions the Consumer Financial Protection Bureau, or CFPB, can answer through a new online tool launched Thursday called Ask CFPB. The goal is to help consumers get answers to their financial questions as easily as they can buy a pair of shoes online from a site like Zappos.com. The CFPB's interactive, online tool allows consumers to type in questions and immediately review answers prepared by the agency's staff. Through the tool, the new

agency charged with protecting consumers from fraudulent financial practices hopes to provide clear definitions of financial products. It also provides information designed to help consumers understand what they owe, while offering tips to help consumers make sound decisions when taking out mortgages or other loans." *Click here for more.*

Click here to view the CFPB's press release.

Holly Petraeus makes her own mark on the military
Rick Hampson (USA Today)
March 19, 2012

"When 18,000 members of the Army's 101st Airborne Division flew back to Fort Campbell, Ky., in 2004 after a year in Iraq, Holly Petraeus was there to meet them, no matter the hour, the weather or her other duties. As wife of the division commander, Maj. Gen. David Petraeus, she had to attend some of the scores of arrivals. But she was almost always there — often in hat, scarf, and boots, stamping her feet against the cold and hugging the soldiers like they were her children. 'She really cared for those boys,' recalls Ed Rufo, a local military booster who was there, too. 'They called her a hangar rat.' These days the hangar rat, whose husband is now CIA director, is the federal official charged with helping servicemembers and their families make good financial decisions, and, when they don't, trying to stop those who prey on them. It's a symbolically prominent role in what promises to be a major drama in American life: the attempt to care for combat veterans and their families after the longest period of warfare in U.S. history. With Iraq over and Afghanistan winding down, many of these families — some of whom endured a decade of repeated combat tours — are afraid that the country will move on and forget its responsibility to them." *Click here for more.*

Congress Takes First Look at Mobile Payments
Kevin Wack (American Banker – subscription required)
March 22, 2012

*"Congress took its first cautious steps into mobile payments on Thursday with a House hearing focused on security issues and prudent regulation for the rapidly-changing sphere. In many ways, the hearing before the House Financial Services subcommittee on financial institutions and consumer credit, revealed the wide gap between the industry's focus on mobile payments and Washington's relative lack of focus on the issue. Members of the panel alternated between marveling at the sector's pace of technological progress and concern about regulatory gaps and the security of payments. 'Most importantly, we must make sure these payments are safe and secure, at least as safe as using cash, checks or credit cards, and hopefully even more so.' said Rep. Shelley Moore Capito, R-W.Va., who chairs the subcommittee. … Some of those concerns were echoed by Suzanne Martindale, an attorney with **Consumers Union**. Martindale testified that U.S. payments law is fragmented, and the degree of protection that consumers have depends on whether their mobile payment accounts are linked to a debit card, a credit card, a prepaid card or some other form of payment. She expressed particular concern about the lack of anti-fraud protections for consumers who link a mobile payment account to a prepaid card. Such payments are expected to grow quickly, as more people who do not have bank accounts seek to use their mobile phones in the same way that bank customers use checking accounts."* *Click here for more.*

Click here to view/read testimony from the hearing entitled "The Future of Money: How Mobile Payments Could Change Financial Services," witnesses included**,** Ms. Suzanne Martindale, Attorney, **Consumers Union**.

Click here to view the press release from Consumers Union.

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Shadow Markets and Systemic Risk

AFR Letter: Full Funding for the CFTC is Crucial

Click here *to view the letter AFR sent a letter to members of the Senate Appropriations subcommittee on Financial Services urging them to fully fund the CFTC.*

Click here to view/read testimony from the Financial Services and General Government Subcommittee hearing entitled "Strengthening Market Oversight and Integrity: Fiscal Year 2013 Resource Needs of the

Commodity Futures Trading Commission."

Click here to view/read testimony from the House Appropriations Committee Budget Hearing - Commodity Futures Trading Commission with Chairman Gensler.

Fed's Fisher: Largest Banks Should Be Broken Up, Made Safer
Michael S. Derby (Dow Jones Newswires)
March 21, 2012

"Despite new laws aimed at reforming the financial system, the nation's largest banks remain a threat to stability and should be broken up, a Federal Reserve official said Wednesday. The so-called too-big-to-fail banks 'remain a hindrance to full economic recovery and to the very ideal of American capitalism,' Federal Reserve Bank of Dallas President Richard Fisher said in a letter accompanying his bank's annual report. 'Downsizing the behemoths over time into institutions that can be prudently managed and regulated across borders is the appropriate policy response,' he said. Click here for more.

Click here to view/read the full report entitled "Choosing the Road to Prosperity Why We Must End Too Big to Fail—Now," **click here** to view/read the letter from President Fischer, and **click here** for more background.

Fed's Stress-Test Champion Reshapes Regulation of Biggest Banks
Craig Torres and Cheyenne Hopkins (BusinessWeek)
March 15, 2012

"Not long after President Barack Obama picked Daniel Tarullo for a seat on the Federal Reserve Board, he sat down for the standard briefing with the staff and promptly turned the tables on them. Tarullo told them they had made mistakes in supervision, and he wouldn't defend their past actions. Later, he told Richard Shelby, the leading Republican on the Senate Banking Committee, he endorsed Shelby's view that regulators had fallen down. He said it was time to 'reshape' regulation. In the past three years, no one has done more to strengthen government's grip on the financial system. A former law professor and aide to President Bill Clinton, Tarullo, 59, has piloted implementation of the Dodd-Frank Act, the most sweeping overhaul of financial regulation since the 1930s. He has a larger say in banks' day-to-day decisions on compensation, dividends, stock buybacks, mergers and risk-taking. And he has buried former Chairman Alan Greenspan's light-touch regulation that kept the Fed from doing more about risky mortgage practices in the last decade." Click here for more.

Deutsche Avoids Dodd-Frank Rule
David Enrich and Laura Steven (WSJ – subscription required)
March 21, 2012

"Deutsche Bank AG changed the legal structure of its huge U.S. subsidiary to shield it from new regulations that would have required the German bank to pump new capital into the U.S. arm. The bank on Feb. 1 reorganized its U.S. subsidiary, known as Taunus Corp., so that it is no longer classified as a "bank-holding company," according to disclosures by the bank and on the U.S. Federal Reserve's website. Deutsche Bank is at least the second large European bank to make such a change, following in the footsteps of the U.K.'s Barclays PLC. The technical change has important consequences. Taunus—which at the end of last year had about $354 billion of assets and 8,652 employees, making it one of the largest U.S. banking companies—won't have to comply with a provision of the U.S. Dodd-Frank regulatory-overhaul law that essentially forces the local arms of non-U.S. banks to meet the same capital requirements that American banks face." Click here for more.

CFTC Adopts Rule Requiring Real-Time Swap-Clearing Decisions
Silla Brush (Bloomberg)
March 20, 2012

"The U.S. Commodity Futures Trading Commission has completed Dodd-Frank Act rules requiring swaps brokers to decide within minutes whether to clear a trade in an effort to reduce risk in the $708 trillion global swaps market. The CFTC voted 4-1 today to adopt the regulation, which requires Wall Street banks or clearinghouses operating on their behalf to accept or reject trades for clearing as soon as technologically

possible -- in 'milliseconds or seconds, or at most, a few minutes,' according to a CFTC summary of the rule." *Click here for more.*

Click here more information on the Final Rule for Customer Clearing Documentation, Timing of Acceptance for Clearing, and Clearing Member Risk Management.

SEC Probes Rapid Trading
Scott Patterson and Jean Eaglesham (WSJ – subscription required)
March 22, 2012

"Federal securities regulators are examining whether some sophisticated, rapid-fire trading firms have used their close links to computerized stock exchanges to gain an unfair advantage over other investors, people familiar with the matter say. The wide-ranging probe, being handled by the enforcement staff of the Securities and Exchange Commission, is focusing on the computer-driven trading platforms of exchanges, including BATS Global Markets Inc., the people said. The SEC probe illustrates a bigger push by regulators to examine less-transparent parts of the securities markets, such as the fast-growing area of so-called high-frequency trading. High-speed trading firms use powerful computer systems for rapid-fire trades, in which they often hold stocks for only fractions of seconds. They benefit by being able to move quicker than less technologically proficient investors. Computer-driven exchanges operated by firms such as BATS are the favored venue of high-speed trading firms. BATS has moved up to third in U.S. share-trading volume behind exchanges run by NYSE Euronext and Nasdaq OMX Group Inc., NDAQ +0.11% with about 11% of average daily volume." Click here for more.

Ray Brescia: Trust, but Verify: Recent Revelations Make the Case for More Responsive, and Responsible, Banking
Ray Brescia (Huffington Post)
March 22, 2012

"The recent resignation confessional by a (now) former Goldman Sachs executive offers just the latest insight into the way that some bankers may view their customers: as a means to higher bank profits, regardless of what is in the best interests of those clients. Greg Smith, a former Goldman Vice President, suggests that the practices at Goldman risk jeopardizing customer trust in the institution. But the allegations about the culture at that investment bank are just the most recent of a stream of embarrassing revelations about bank practices to have come to light in recent years, allegations that suggest that banks have a lot of work to do to improve their image, let alone to do right by their clients. In order for banks to be trusted, they must be trustworthy, and what customers need today are mechanisms for gauging the extent to which banks are engaging in responsible practices, the types of practices that could prevent the next financial crisis and lead to greater trust by the general public in those institutions. Several municipalities across the country are exploring the possibility of adopting so-called 'responsible banking ordinances,' and such legislation could help serve as a means by which local governments, and even individual consumers, can ensure that the banks with which they do business engage in practices designed to promote sustainable economic development and not simply bank profits." Click here for more.

Volcker Rule

Volcker Rule Delay and Simplification Gains Support in Congress
Steven Sloan and Phil Mattingly (Bloomberg News)
March 22, 2012

"A bipartisan group of U.S. lawmakers is backing a delay in finalizing a ban on proprietary trading by banks without urging regulators to ease the rule. Six senators introduced legislation yesterday that would postpone implementation of the so-called Volcker rule from the July 21 deadline set by the Dodd-Frank Act and align it with regulators' completion of detailed rules for the trading ban. Meanwhile, Representative Barney Frank, the Massachusetts Democrat who co-authored the law that requires regulators to impose the ban, released a statement urging banking agencies to complete a simplified version by Sept. 3. … The Senate legislation was proposed by Democrats Mark Warner of Virginia, Kay Hagan of North Carolina and Tom Carper of Delaware, along with Republicans Mike Crapo of Idaho, Pat Toomey of Pennsylvania and Bob Corker of Tennessee." Click here for more.

Banks Seek Delay on 'Volcker Rule'
Victoria McGrane (WSJ – subscription required)
March 21, 2012

"For Wall Street banks worried about the controversial 'Volcker rule,' help may be on the way. Senators from both parties are working to give regulators more time to write the rule, potentially easing banks' concerns that their activities will run afoul of the law as a July deadline passes. The Volcker rule, which restricts banks' ability to trade with their own money, is set to take effect July 21, whether or not regulators have a final rule in place, according to the 2010 Dodd-Frank financial overhaul law. Federal Reserve Chairman Ben Bernanke said last month that regulators likely wouldn't have a rule in time. A group representing banks and others involved in bundling and selling loans is warning that deals worth hundreds of billions of dollars may need to be shut down because of wording in the law requiring compliance with a rule that doesn't yet exist." Click here for more.

AFR Press Statement: Big Banks Seek to Undermine and Negate the Volcker Rule

Click here *to view AFR's press statement.*

Full statement:

> *"The Wall Street Journal has reported that the big banks are pressing Congress for a statutory delay in the implementation of the Volcker Rule. They claim that the fact that the law will become effective this July, possibly before all the rules are finalized, will lead to disruptions in our financial markets. But that's simply not true. The Dodd-Frank Act gives banks up to two years after the effective date of the law — in other words, until July 2014 — to come into compliance with all the provisions of the Volcker Rule. That's plenty of time to make the changes necessary. This lobbying effort should be seen for what it is — just another effort to undermine and negate the Volcker Rule so that Wall Street can continue proprietary speculation while taking advantage of the safety net taxpayers provide to the banking system."*

Click here to view Rep. Frank's statement "calling for regulators to issue formal guidance on its implementation, specifically for the period between the July 21st deadline and the date on which a final rule is issued."

Peter Barnes: Public Interest Groups Using Ex-Goldman Exec Op-Ed in Fight for Tougher Wall Street Rules
Peter Barnes (FoxBusiness)
March 16, 2012

*"Public interest advocates in Washington want to turn former Goldman Sachs (GS: 122.93, -0.13, -0.11%) executive Greg Smith into their poster child for tough new rules for Wall Street. Smith quit his job as a vice president of Goldman on Wednesday in a blistering, public op-ed column in the New York Times. He charged Goldman with 'ripping off' its clients by putting its pursuit of profit ahead of serving their best interests. 'We are ensuring the regulatory agencies understand both the existence of Mr. Smith's column and its import,' Bartlett Naylor, financial policy advocate for **Public Citizen**, told FOX Business. 'It's already been submitted officially to the Commodities Futures Trading Commission. We attempt to have ongoing communication with agency staff and officials. Several meetings are forthcoming where we will make sure they have seen this.'…Right now, the Federal Reserve, the Securities and Exchange Commission, the CFTC and other financial supervisors are crafting new regulations for big financial firms under the so-called Volcker Rule, which was part of the Dodd-Frank financial reform legislation Congress approved in 2010. …Public Citizen and other groups charge that banks and Wall Street firms are lobbying regulators to create loopholes and exemptions from the Volcker Rule, to allow them to continue trading securities for their own account. 'You shouldn't be able to call it something else and get away with it,' said Heather Slavkin, a senior legal and policy adviser for the **AFL-CIO**'s office of investment. She said Smith's column 'confirms the bad behavior…has not stopped.' **Public Citizen** and the **AFL-CIO** are part of a coalition, **Americans for Financial Reform**, that is pushing regulators to crack down on financial firms. Another reform organization, **Better Markets**, urged Smith to join it this week to 'make a difference.' His column 'is absolutely something that we're going to use' in lobbying regulators for tough provisions in the Volcker Rule, spokesman Bill Swindell said." Click here for more.*

Douglas J. Elliot: The Volcker Rule Is Still a Bad Idea
Douglas J. Elliott (Brookings Institute)
March 19, 2012

"Now we have one more thing for which to blame Goldman Sachs. Their latest public relations problem — a very public denunciation of their culture by a departing mid-level investment banker — has given added impetus to supporters of the Volcker Rule, the part of the Dodd-Frank financial reform law intended to force banks out of 'proprietary trading.' (The activities which were denounced are not covered by the Volcker Rule, but this does not stop politicians from drawing spurious connections, taking advantage of Goldman's terrible public image.) While I am a strong supporter of Dodd-Frank, this part of the law is fundamentally flawed and will do considerably more harm than good for the economy. The core problem is the Volcker Rule purports to eliminate excessive investment risk at banks without measuring either the level of risk or the capacity of banks to handle it, which would tell us whether the risk was excessive. Instead, the rule focuses on the intent of the investment. This subjective and vague approach means the Volcker Rule will do a poor job of identifying or eliminating excessive investment risk, will be costly even when it correctly identifies risk, and will be even more costly when it discourages risk that is incorrectly treated as if it were excessive." Click here for more.

Commodity Speculation

Dennis Kelleher: Speculators are driving up gas prices - Opinion
Dennis Kelleher (@CNNMoneyMarkets)
March 21, 2012

"Gas prices have skyrocketed more than 40% in the last few months and are almost $5 a gallon in many places. Americans once again want to know why costs are climbing so high and so quickly. The answer? Not the Persian Gulf, but Wall Street. Why Wall Street? A few years ago Wall Street invented "commodity index funds" that have poured some $400 billion into speculating in commodities. Now, there is broad agreement -- from airlines to coffee chains to farmers to President Obama -- that excessive speculation in commodity markets is needlessly driving up prices." Click here for more.

Industry Groups Press on Oil Speculation
Ben White (Politico's Morning Money)
March 21, 2012

"A group of trade groups including Airlines for America (A4A), the Petroleum Marketers Association of America (PMAA), the New England Fuel Institute (NEFI), the Industrial Energy Consumers of America (IECA) and the American Trucking Associations (ATA) wrote to the CFTC requesting an examination of the recent run-up in oil prices. Letter: http://bit.ly/GCLqCv"

Naimi calls high oil prices 'unjustified'
Guy Chazan in Doha (FT – registration require)
March 20, 2012

"Saudi Arabia's powerful oil minister, Ali Naimi, made a rare intervention into overheating oil markets on Tuesday, declaring that high oil prices were 'unjustified' and vowing that the kingdom would boost its output by as much as 25 per cent if necessary. As the west's nuclear stand-off with Iran escalates, oil prices have rallied this month to a post-2008 peak of $128 a barrel with markets bracing for European Union sanctions on Iranian crude that could knock out a chunk of global supply. Speaking to reporters in the Qatari capital Doha, Mr Naimi said he wanted to "dispel this pessimism in the market" and the widespread fear that the world could see a repeat of 2008's oil price increase which was a harbinger of the global recession. 'I think high prices are unjustified today [on] a supply-demand basis,' he said. 'We really don't understand why the prices are behaving the way they are.'" Click here for more.

Event

Taking on Excessive Speculation in the Commodities Markets

Co-sponsored by Maryknoll Center for Global Concern and Americans for Financial Reform

WHEN: Thursday, March 22, 9:30am-12:30pm

WHERE: SEIU - 1800 Massachusetts Avenue NW Washington, DC

RSVP: http://new.evite.com/#view_invite:eid=0048AAQZXGL24EO3IEPBNJJY3RO2IE

(Note that on the invite there is the phone-in number and internet links for video participation.)

The issue of speculation affecting oil, gas and food prices is becoming a hot topic in Congress and the media. Increasing complaints, from both sides of the aisle, show increasing interest in reining in excessive speculation.

Many of our organizations were concerned about high and volatile food and energy prices in 2008 and participated in campaigns to make the Dodd-Frank financial reforms as strong as possible in order to rein in excessive speculation. Indeed, Congress passed stronger derivatives reforms than some expected, and we should be proud of that accomplishment. But unfortunately, during the implementation process of those reforms, Wall Street has stepped up its pressure on regulatory agencies while the majority of our groups have stopped following the issue altogether. We run the risk of having key reforms watered down or never implemented.

On **March 22, 9:30am-12:30pm**, organizations that have worked on food and energy speculation in the past, together with some new to the struggle, will gather to look at how speculation continues to affect global food and energy prices, what we have won in Dodd-Frank, where the implementation process is at today, and a few key areas where our mobilization could be most effective in reducing excessive speculation. Please come and help make sure that we do not lose what we won in 2010.

MF Global

House panel subpoenas MF Global executive to testify
Philip Shishkin (Reuters)
March 21, 2012

"A congressional subcommittee voted on Wednesday to issue a subpoena to a key employee of MF Global Inc, the futures-trading firm whose collapse in October triggered ongoing inquiries into the disappearance of more than $1 billion of customer money. The employee, Edith O'Brien, served as an assistant treasurer in the firm's Chicago office. The decision to subpoena O'Brien means she will likely have to appear at a congressional hearing on MF Global (MFGLQ.PK) to be held on March 28." Click here for more.

International

U.S. Notes Europe's Progress in Easing Its Debt Crisis
Annie Lowrey (NYT)
March 21, 2012

"For the United States, the looming threat from the long-simmering European sovereign debt crisis seems finally to have started to subside. Christine Lagarde, of the I.M.F., noted Europe's progress last week but warned against 'a false sense of security.' European leaders did not combat the crisis with the force American policy makers had urged. But a Continent-wide agreement to slash deficits and lifelines tossed to European banks have helped reduce borrowing costs, and Washington now seems to be breathing a tentative sigh of relief. Serious concerns remain about Europe's impact on financial markets and growth, the Federal Reserve chairman, Ben S. Bernanke, and the Treasury secretary, Timothy F. Geithner, said Wednesday in testimony before the House oversight committee. But Europe has made progress in assuring investors of the safety of the euro and ensuring that all euro zone economies retain financing for their debts at sustainable rates." Click here for more.

Click here to view/read testimony from hearing entitled "Europe's Sovereign Debt Crisis: Causes, Consequences for the United States and Lessons Learned."

Barriers to Change, From Wall St. and Geneva
Gretchen Morgenson (NYT)
March 17, 2012

"EVEN now, after all we've been through, something is still wrong with Wall Street. That's the takeaway from the extraordinary — and extraordinarily public — resignation of Greg Smith from Goldman Sachs last week. His criticism of Goldman, made in an Op-Ed article in The New York Times, suggested that some of the business practices and inherent conflicts in the financial industry are as troubling today as they were before all of those taxpayer bailouts. Goldman disagreed with him, of course. But Mr. Smith's Op-Ed article — and the resounding response to it — provide yet another reminder of why it is crucial that we remake our financial markets so that they are safe for investors and taxpayers. And yet, the snail's-pace progress of this effort is worrisome. Financial institutions, eager to maintain their profitable status quo, have lobbied hard against change. As a result, too-big-to-fail institutions have become even bigger and more powerful. In addition to lobbying, big financial players have another potential weapon in their battle against safety and soundness. This one is more hidden from view and comes from, of all places, the World Trade Organization in Geneva." Click here for more.

HIGHLIGHTS-Bernanke, Geithner testify on Europe debt crisis
Reuters
March 21, 2012

"The following are highlights from the testimony on Wednesday of Federal Reserve Chairman Ben Bernanke and U.S. Treasury Secretary Timothy Geithner to the House Oversight and Government Reform Committee. The House panel's hearing is on the European debt crisis. 'In Greece and Ireland and Portugal...there's really no alternative available to them except to do this mix of very tough reforms across the board. In the other countries in Europe...they have a bit more time and space to bring a bit more care and balance to the path...'What hurts the United States is a risk of a longer period of weak economic growth in the major economies of Europe and that's why it's so important that as they calm the financial tensions across Europe that they're able to shift some of the attention, some of the focus in Europe to a broader strategy that would make growth stronger across the continent." Click here for more.

Click here to view/read testimony from the hearing entitled "Europe's Sovereign Debt Crisis: Causes, Consequences for the United States and Lessons Learned."

Wallace Turbeville: Morgan Stanley, Italy and Weapons of Mass Destruction
Wallace Turbeville (Huffington Post)
March 21, 2012

"Warren Buffett once referred to derivatives as 'financial weapons of mass destruction' created by 'madmen.' Real WMD have rarely been used. However, derivatives are used quite a lot, a $600 trillion per year market dominated by a narrow oligopoly of mega-banks. It appears that Italy got hit by the derivatives WMD in January. Last week, it was belatedly disclosed that the government of Italy paid Morgan Stanley $3.4 billion to terminate derivatives contracts that had been in place since the 1990s. For Italy, facing precarious finances and painful austerity, this is a damaging loss of cash. Italy has raised sales taxes by $7 billion for this year as part of a plan to put its house in order, so half will go to Morgan Stanley. Bloomberg reminded us that this is only part of the story. Italy is reported to owe over $31 billion in connection with derivatives overall. For perspective, Italy is struggling to implement an $80 billion austerity plan that cuts its $1 trillion budget and raises taxes." Click here for more.

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Foreclosures and Housing

BofA Tests an Option to Foreclosure
Nick Timiraos (WSJ – subscription required)
March 22, 2012

"Bank of America Corp. BAC -2.29% is launching a pilot program that will allow homeowners at risk of foreclosure to hand over deeds to their houses and sign leases that will let them rent the houses back from

the bank at a market rate. While the initial scope of the "Mortgage to Lease" program is small—the bank began sending letters Thursday offering leases to 1,000 homeowners in Arizona, Nevada and New York—it represents a big change in the way banks deal with borrowers who can't afford their mortgages. Until now, banks have focused the bulk of their borrower outreach on modifying mortgages, usually by reducing the monthly payments. When that doesn't work, most foreclosure alternatives require homeowners to leave their house, typically through a short sale, in which the bank approves the sale for less than the amount owed. Banks often insert clauses forbidding the new owner from renting the property back to the former owner." Click here for more.

Fannie, Freddie Press For Mortgage Write-Downs
Chris Arnold (NPR's Morning Edition)
March 23, 2012

"The two most powerful entities in the housing market Fannie Mae and Freddie Mac could be on the verge of a significant change regarding foreclosures. NPR and ProPublica have learned that both firms have concluded that giving homeowners a big break on their mortgages would make good financial sense in many cases. In these so-called principal write-downs, a portion of the loan is forgiven for someone who's having trouble paying. Many Democrats are pushing for this change. Most Republicans are against it. So far, a key federal regulator is blocking Fannie and Freddie from adopting the approach. In recent days, financial executives at Fannie and Freddie have made presentations to their regulator saying that principal reduction for many homeowners would prevent larger losses and keep people in their homes." Click here for more.

U.S. makes $25 billion on sale of mortgage-backed securities
Zachary A. Goldfarb (Washington Post)
March 19, 2012

"The Obama administration announced Monday that taxpayers made $25 billion in profit on a program to keep mortgage interest rates down in the wake of the 2008 meltdown in financial markets. Building on efforts that began under President Bush, the Obama administration took a number of steps to keep the mortgage market operating after the real estate market crashed, including providing unlimited financial support to mortgage-finance giants Fannie Mae and Freddie Mac and buying $225 billion in securities backed by mortgage loans." Click here for more.

In Buying House Out of Foreclosure, 'I've Done My Part'
Jennifer Kuzara (NYT)
March 21, 2012

"WHEN I bought a home out of foreclosure in 2009, it took over 1,000 hours from beginning to end. I visited properties, looked up county tax records and considered neighborhoods while researching comparable home values. I assembled a team that included two tenacious real estate professionals; a first-rate contractor; a mortgage broker to help navigate the tangle of Federal Housing Administration, Internal Revenue Service and city and county regulations; as well as my parents. To anyone driving by, my home is a modest bungalow in Edgewood, a working-class neighborhood about two miles east of downtown Atlanta. To me, it is a labor of love in a community I consider my adopted home. I wasn't sure what it would mean to a banker, though. Three months ago, I decided to try to refinance my mortgage, knowing that the current record-breaking low interest rates would not last forever, and that they represented the best opportunity in more than a generation to finance a home. To get approval, I had to have an appraisal of $135,000 or higher." Click here for more.

Wall Street Keys On Landlord Business
Nick Timiraos, Robbie Whelan, Matt Philips (WSJ – subscription require)
March 19, 2012

"Some of the biggest names on Wall Street are lining up to become landlords to cash-strapped Americans by bidding on pools of foreclosed properties being sold by Fannie Mae. The idea is that the new owners would rent out the homes at first rather than reselling—potentially aiding a housing-market recovery by reducing the number of properties clogging the market. The fact that big-name investors are interested also suggests they anticipate sizable future profits in housing." Click here for more.

Center for Responsible Lending: Summary of National Mortgage Settlement
Center for Responsible Lending
March 14, 2012

"Forty-nine state attorneys generals and two government agencies have reached a $25 billion agreement with the nation's five largest mortgage servicers to address mortgage loan servicing and foreclosure abuses. Here we provide a quick-reference summary of the terms of this agreement." *Click here for more.*

Moveon.org: Dump DeMarco: Appoint A New Head Of The FHFA
Moveon.org petition

"What would it take to save millions of homes and billions of dollars in taxpayer money? Replacing one man—Edward DeMarco, the acting head of the Federal Housing Finance Agency (FHFA). DeMarco, a Bush appointee to the FHFA, is refusing to do the one thing that could get the economy back on track: allowing homeowners to adjust their Fannie and Freddie mortgages to real home values. He's been operating under the radar, but now the calls for him to be replaced are increasing. President Obama has an important opportunity during the next congressional recess to replace DeMarco with someone actually willing to help homeowners and taxpayers." *Click here for more.*

Click on the press outlet to view coverage from recent protests demanding Freddie Mac and Fannie Mae reduce principal loans: YNN, Philly.com, Fort Worth Star Telegram, Peninsula Daily, Syracuse.com, Michigan Business Review - MLive.com, The Progressive Pulse, Islands' Sounder, Carson Now, Livingston Daily, HollandSentinel.com, CNN Money. Fox News, CBS Philadelphia, Philadelphia Weekly, Loansafe.org (Sacramento Bee article), Radio WMNF, Des Moines Register, The Dallas Observer, The Daily White Plains, ABC 9 KEZI (Oregon), Mountain Xpress, Marin Independent Journal, Claremont Courier, Mercury News, Santa Monica Mirror, Carson Now, Peninsula Daily News, Forsynth County, Cape Code News, Griid, and The Rock River Times.

Katrina vanden Heuvel: The man blocking America's recovery
Katrina vanden Heuvel (Washington Post op-ed)
March 19, 2012

"He is the most powerful federal employee you've never heard of. Edward DeMarco has slowed the economic recovery with the stroke of a pen. His actions are costing taxpayers tens of billions of dollars, forcing millions of homeowners to lose their homes, and contributing to the falling housing prices that are a brake on the recovery. Not bad for an obscure "acting director" who should have departed his position long ago. Edward DeMarcoheads the Federal Housing Finance Agency (FHFA). He's a temp, in office only because — no surprise — Senate Republicans, led by Richard Shelby (Ala.), refused even to allow a vote on the man President Obama nominated for the post. And DeMarco is philosophically opposed to the common-sense solutions needed to deal with the housing crisis." *Click here for more.*

FHFA Blames State Laws for Excessive Foreclosure Timelines
Krista Franks Brock (DSNews.com)
March 20, 2012

"State and local governments across the nation responded to the foreclosure crisis by introducing a wave of new laws aimed at protecting homeowners and preventing foreclosures. Unfortunately, according to Alfred M. Pollard, general counsel for the Federal Housing Finance Agency (FHFA), some of these laws are hurting more than helping as the housing market struggles toward recovery. Pollard, speaking before a House of Representatives committee Monday, cited estimates that state governments have introduced 550 bills related to mortgage servicing since 2009. Pollard also referenced a recent study from the National Bureau of Economic Research, which found that state laws aimed at foreclosure prevention more often delay foreclosures than prevent them. Some of the types of state laws causing unnecessary delays to the foreclosure process and costs to servicers and investors, according to the FHFA, include laws requiring mediation programs, laws that add priority liens to mortgages, and vacant property ordinances and fees. For example, Washington D.C. enacted a mediation program to help homeowners avoid foreclosure. However, Pollard points out, 'If a homeowner was considered for modifications or short sale, the value of the mediation, including its costs, is questionable as to any different outcome.'" *Click here for more.*

Click here to view/read testimony from the field hearing entitled "Failure to Recover: The State of Housing Markets, Mortgage Servicing Practices, and Foreclosures. Witnesses were Mr. Morris Morgan, Deputy Comptroller for Large Bank Supervision, Office of the Comptroller of the Currency, Ms. Suzanne G. Killian, Senior Associate Director for the Division of Consumer and Community Affairs, Federal Reserve System, Mr. Alfred M. Pollard, General Counsel, Federal Housing Finance Agency, Ms. Sheila Sellers, National Mortgage Outreach Executive, Bank of America, Mr. Eric J. Schuppenhauer, Senior Vice President, Mortgage Banking - Core Servicing and Borrower Assistance Executive, JPMorgan Chase Bank, NA, Mr. Joe Ohayon, Senior Vice President, Community Relations, Wells Fargo Home Mortgage, Mr. Jeff Jaffee, Chief Regulatory Affairs Officer, CitiMortgage, The Honorable Arthur M. Schack, Supreme Court Justice, State of New York, Ms. Meghan Faux, Deputy Director, South Brooklyn Legal Services, and Mr. Edward Pinto, Resident Fellow, American Enterprise Institute.

Gordon Whitman: Clock Ticks for DeMarco
Gordon Whitman (Huffington Post)
March 21, 2012

"'The dog ate my homework' probably won't work as an excuse for Ed DeMarco, the embattled acting director of the Federal Housing Finance Agency. DeMarco is overdue on his promise to tell the White House and Congress whether he will reverse his stubborn opposition to principal reduction -- a practice that allows underwater homeowners to refinance their mortgages at the real value of their homes. It's been six weeks since the Treasury Department announced that it was tripling incentives for lenders to reduce principal on underwater homes as part of the administration's HAMP foreclosure prevention program. This new policy was supposed to persuade DeMarco to come down from the ledge." Click here for more.

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Executive Compensation

CEO Pay Is Still Robust at Big Asset Managers
Kirsten Grind (WSJ – subscription required)
March 21, 2012

"Regulations and volatile financial markets are hitting many Wall Street chief executives hard in their wallets. But the CEOs of three of the largest asset-management firms in the U.S. have escaped the damage. Total compensation for chief executives at Federated Investors Inc., FII -0.69% Franklin Resources Inc. BEN -1.65% and T. Rowe Price Group Inc. TROW -1.09% rose 28% to a combined $22.4 million in 2011, according to securities filings. All three got a boost from incentive-based pay, in contrast to smaller bonuses atop many banks and securities firms. While many Wall Street executives see regulations hitting their wallet hard, WSJ's Kirsten Grind makes a stop on Mean Street with the story of CEOs at three of the largest asset-management firms aren't seeing that problem at all. Federated, Franklin and T. Rowe Price are among the seven largest publicly traded asset managers in the U.S. Some compensation experts are predicting similar increases when rivals such as Invesco Ltd. and State Street Corp. disclose pay details in the next several weeks. State Street and Invesco declined to comment." Click here for more.

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Student Lending

Student-Loan Debt Tops $1 Trillion
Josh Mitchell and Maya Jackson-Randall (WSJ subscription required)
March 21, 2012

"The amount Americans owe on student loans is far higher than earlier estimates and could lead some consumers to postpone buying homes, potentially slowing the housing recovery, U.S. officials said Wednesday. Total student debt outstanding appears to have surpassed $1 trillion late last year, said officials at the Consumer Financial Protection Bureau, a federal agency created in the wake of the financial crisis. That would be roughly 16% higher than an estimate earlier this year by the Federal Reserve Bank of New York. The new figure—released Wednesday at a banking conference in Austin, Texas—is a preliminary

finding from a study of student debt that the bureau plans to release this summer. Bureau officials said the estimate is based on a survey of private lenders, as opposed to other estimates that rely on a sampling of consumer credit reports." Click here for more.

Durbin targets private student loan defaults
Ylan Q. Mui (Washington Post)
March 20, 2012

"A top Senate Democrat took aim at the private student-loan industry Tuesday, calling for new rules that would allow educational debts to be wiped away during bankruptcy. Majority Whip Richard J. Durbin (D-Ill.) convened a Senate judiciary subcommittee hearing Tuesday to address what one consumer group has called the nation's next potential "debt bomb." Research by the Federal Reserve Bank of New York found that Americans owe about $870 billion in student loans — surpassing the amount of outstanding credit-card debt or auto loans. More than a quarter of borrowers had past-due balances, a figure higher than previously reported, the study found." Click here for more.

Click here to view the letter by ABA, Financial Services Roundtable and other groups to Sen. Dick opposing S. 1102, courtesy Ben White at Politico's Morning Money.

Event

Please join us today for **Americans for Financial Reform Field-Communications Call 1pm EST**. Today's call will focus on **Private Student Lending and will be an hour long**.

Private student loans are a very risky way to finance an education; they have higher interest rates, and come with fewer protections for borrowers than federal student loans. And yet despite this, a majority of private loan borrowers end up in these riskier loans before they have exhausted all their opportunities to use fairer federal loans, or even sometimes before they have taken out any federal loans at all. Taking out loans to further your education should not be an unsustainable trap, but that¹s what happens too often now.

How risky are Private Student Loans:

Special Guests:

Pauline Abernathy, Vice President, The Institute for College Access & Success

Persis Yu, Staff Attorney, National Consumer Law Center

Rich Williams, Higher Education Advocate, U.S. PIRG

The creation of the Consumer Financial Protection Bureau (CFPB), and the mandate that the consumer bureau regulate and supervise private student lending, has created a major new opportunity to address deceptive and unfair practices. There are important steps the CFPB can and should take with the authority it has now to help students guard and against tricks and traps.

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FTT

Parliament weighs up cost and benefits of taxing financial transactions
EU Parliament News
March 22, 2012

"Two-thirds of Europeans might support the idea, but that does not mean it is not controversial. Taxation commissioner Algirdas Šemeta defended the Commission's proposal for an EU-wide tax on financial transaction in front of the EP's economic committee on 20 March 2012. The Commission claims the tax will deter risky trading and ensure the financial sector pays it fair share to get the EU out of the crisis. However, critics fear it could lead to firms taking their trade elsewhere. The financial transaction tax is sometimes

referred to as a Tobin tax, as it is based on an idea by American economist James Tobin. In the 1970s he proposed a levy on currency exchange small enough to not disrupt the economy but sufficient to discourage harmful speculation." Click here for more.

Commission says FTT could reduce GNI contributions by half
Gaspard Sebag (Europolitics)
March 22, 2012

"The European Commission announced, on 22 March, that a financial transaction tax (FTT), if adopted as a new own resource of the EU budget, could reduce member state GNI-based contributions by 50%. That would not, per say, mean a reduction by half of total national contributions, as Commission President José Manuel Barroso said, seeing as the VAT-based own resource - considered by most as a member state contribution - is excluded from the calculation. In 2020, gross national income (GNI) contributions would go down by €54 billion, according to EU executive estimates." Click here for more.

Event

The Institute for Policy Studies, Americans for Financial Reform, Health GAP, National Nurses United, and RESULTS

Invite you to a brownbag discussion on:

Campaigning on Financial Transactions Taxes: A Global Progress Report with **David Hillman**

Director, Stamp Out Poverty, and Member of the Steering Group of the UK Robin Hood Tax campaign

Institute for Policy Studies
1112 16th St. NW, Suite 600 (16th and L)
Tuesday, March 20, 12-1:30 pm
rsvp to: Sarah@ips-dc.org

David Hillman has been a leader of global civil society advocacy around financial transactions taxes for more than a decade.

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Big Banks, Money, and Politics

Payday Lender Political Donors Hidden in Corporate Names
Jonathan D. Salant (Bloomberg)
March 21, 2012

"Of all the names disclosed as donors to Restore Our Future, a political action committee supporting Mitt Romney, some stand out for how little they reveal. RTTTA LLC of Provo, Utah, is one of four corporations created by auto-title and payday lenders who are subject to financial regulations in the Dodd-Frank financial overhaul law that Romney has vowed to repeal. The other companies -- REBS Inc. of Las Vegas, Select Management Resources LLC of Alpharetta, Georgia, and Katsam LLC of Seattle -- were listed in Restore Our Future's Feb. 20 and March 20 campaign disclosure reports without revealing their founders' business interests. The four firms contributed $235,000 during the two months after President Barack Obama made the recess appointment of the Consumer Financial Protection Bureau director, which oversees the payday lenders, Federal Election Commission reports show. Select Management, which offers car title loans, spent $600,000 in 2010 to lobby on the Dodd-Frank legislation and consumer issues, Senate reports show." Click here for more.

When Obama Regulates, Companies Retaliate with Donations to Romney Super PAC
Michael Scherer (Time's Swampland)
March 22, 2012

"The most recent filing by Restore Our Future, the technically independent group supporting the candidacy of Mitt Romney, revealed a number of firms—a for-profit school, several payday lenders, and a chemical company–whose bottom lines have been threatened or harmed by regulations supported by the Obama Administration. …Payday lenders, who offer high-interest, short-term credit to low-income people, have also contributed to Restore Our Future from corporate accounts. The new Consumer Financial Protection Agency, which passed as part of Dodd-Frank, is expected to release new regulations curtailing the industries activities in the coming months. At a January fact-finding hearing in Birmingham, Alabama, Richard Cordray, the new director of the CFPB, left little doubt of his intentions. 'The Bureau will be giving payday lenders much more attention,' he said. 'This is an important new area for us.' He also invoked the memory of Dr. Martin Luther King Jr. in his description of the 'outrageous' and 'illegal' techniques that some payday lenders use to profit from clients." Click here for more.

Paul Ryan wants to repeal rules meant to stop Too Big to Fail
Suzy Khimm (Washington Post)
March 20, 2012

"On financial regulation, Paul Ryan's 2013 budget basically cuts-and-pastes its recommendations from last year: it wants to repeal parts of Dodd-Frank that give new power to federal regulators to break up big banks, arguing that the regulations actually make bailouts more likely, not less so. Ryan isn't proposing an alternative, however, so his plan to repeal the government's new "resolution authority" would bring us back to the pre-Dodd Frank era — which was also, of course, the era in which bank bailouts proved necessary. Under Wall Street reform, financial institutions that are deemed 'systemically significant' are subject to a host of new regulations, including a new rule that requires them to submit 'living wills' that explain what would happen if the firm went belly up. They're required to submit such plans to the Federal Deposit Insurance Corporation, which has new authority to help liquidate troubled firms so as to avoid systemic catastrophe and prompt taxpayer bailouts. The Ryan budget, however, would actually repeal the FDIC's new resolution authority, arguing that it would have the opposite effect of what's intended by allowing bank regulators "to access taxpayer dollars in order to bail out the creditors of large, 'systemically significant' financial institutions." By doing so, Ryan says he would 'end the regime now enshrined into law that paves the way for future bailouts.' " Click here for more.

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Other

Insider trading ban heads to Obama
Scott Wong (Politico)
March 22, 2012

"After weeks of delays, the Senate on Thursday sent a bill banning congressional insider trading to President Barack Obama for his expected signature. The Senate voted 96 to 3 to pass a watered-down STOCK Act, which would bar members of Congress, their staff and some federal workers from profiting from non-public information obtained through their jobs. 'I believe those who make the laws should live under the same laws as everyone else,' Sen. Scott Brown (R-Mass.), who authored an early version of the bill last fall, said in a statement. 'The passage of this legislation is an important step toward restoring trust in our government.' Sen. Kirsten Gillibrand (D-N.Y.), who was also involved in shaping the STOCK Act, echoed Brown, calling it 'a strong bill with teeth' and a "good step forward" to begin reestablishing trust with the American people. Others downplayed the significance of the legislation. 'It's a modest gesture,' Sen. Lamar Alexander (R-Tenn.) told POLITICO, adding that he believes lawmakers are already prohibited from insider trading under existing law." Click here for more.

Wells Fargo is now the nation's biggest bank by market value
Nathaniel Popper (LA Times)
March 18, 2012

"If you want to do business with the biggest bank in the Western world, don't get on a plane to New York or London. The new place to go is sunny California. Wells Fargo & Co., with its headquarters in downtown San Francisco, has shot ahead of the East Coast institutions that have long been the behemoths of the financial industry, including JPMorgan Chase & Co. andCitigroup Inc. Although Wells Fargo still has fewer bank deposits than its closest competitor, its total stock market value is now about $178 billion — that's about $70 billion more than Citigroup and about $9 billion more than JPMorgan. It has even overtaken the largest bank in Europe, London's HSBC." Click here for more.

A.I.G. Repays Additional $1.5 Billion to Government
Michael J. De La Merced (DealBook/NYT)
March 22, 2012

"The American International Group said on Thursday that it had repaid an additional $1.5 billion owed to the Treasury Department, further reducing the bailed-out insurer's government lifeline. Under the terms of this latest agreement, A.I.G. paid off preferred shares that the government owned in a special entity that holds shares in the AIA Group, an Asian insurer spun off in the fall of 2010. A.I.G. made the repayment a year ahead of schedule. After this repayment, the federal government's remaining investment in A.I.G. stands at about $45 billion, after providing the insurer with a bailout worth as much as $182 billion during the depths of the financial crisis." Click here for more.

Robert L. Borosage: Who Pays the Bill for Wall Street's Mess?
Robert L. Borosage (Huffington Post)
March 21, 2012

*"Yesterday, House Republicans rolled out their budget plan in the Washington version of a Hollywood movie opening. There was a star turn for Budget Chair Paul Ryan at a conservative think tank. Gaseous rhetoric -- "liberties endangered, time to choose" -- fouled the air. There were dueling videos, and furious salvos of partisan messaging. And a backup document -- the "Path to Prosperity" -- festooned with tables for wonks to wallow in. Today, with fewer trumpets and less fanfare, the Congressional Progressive Caucus releases its budget plan -- A Budget for All. Each of the two documents is designed to define a message. Their contrasts help clarify the real choices the country faces. Federal deficits exploded after Wall Street's excesses blew up the economy. The questions now are who gets the bill and when does the payment start? Ryan's Republican budget and the CPC's offer starkly different answers that would take the country in starkly different directions. **The Bathtub Fantasy*** 'My goal is to cut government... to get it down to the size where we can drown it in the bathtub.' Grover Norquist. *Ryan's Republican budget, like a speedo bathing suit on a corpulent geezer, is revealing, but not flattering. Even by Washington standards, this is a remarkably dishonest document. It claims to be serious, but offers targets that are simply preposterous. It calls for leveling with the American people, but cravenly ducks laying out who will pay for top end tax cuts. It calls itself a "blueprint for American renewal" while systematically trampling the American dream. … With this budget, Republicans choose to be the tribunes of the 1%. They send the bill not to the banks that blew up the economy or the wealthy that enjoyed the party, but to the elderly, the middle class and the poor. Consider:" Click here for more.*

John Nichols: Ryan Budget Creates Political Peril For GOP Candidates, Including Paul Ryan
John Nichols (The Nation)
March 20, 2012

"House Budget Commitee chairman Paul Ryan, the fiscal-policy pointman for the Republican Party, did not roll out his 2012 budget plan on the main streets of the factory towns and crossroads communities of southeastern Wisconson that he is supposed to represent. Rather, Ryan made the announcement directly to his core constituency: the readers of the Wall Street Journal*. Describing the choice between his austerity budget—which would begin dismantling the social safety net in order to maintain tax breaks for the wealthiest Americans—and President Obama's modest proposal for a more balanced approach as a definitional struggle in American politics, the congressman wrote: "It is rare in American politics to arrive at a*

moment in which the debate revolves around the fundamental nature of American democracy and the social contract. But that is where we are. And no two documents illustrate this choice of two futures better than the president's budget and the one put forward by House Republicans." …Catholics United, the national Catholic social tradition advocacy organization, suggested Tuesday that another choice is playing out. Noting Ryan's oft-expressed admiration for objectivist author Ayn Rand, the group declared: "Paul Ryan's 2013 Budget Reflects the Teachings of Ayn Rand, Not Jesus Christ." …But the real referendum on Ryan's budget plan is not likely to play out along the moral lines so well outlined by Catholics United. Nor will it take the form of an honest debate with Obama—as Ryan remains, despite the pleadings of conservatives such as Bill Kristol, on the sidelines of the presidential race. (There's a reason for this: polling suggests that 65 percent of Americans oppose Ryan's approach to balancing the budget, and that the number rise to 84 percent when voters learn about the full economic impact on the next generation of seniors.) The real referendum will play out in the neglected cities and towns of Ryan's Wisconsin Congressional district. There, Ryan's Democratic opponent, Rob Zerban, is mounting the most determined challenge the congressman has seen since his initial election—after many years spent in Washington as a Congressional aide and think-tank acolyte—in 1998. And Zerban is pulling no punches with regard to the Ryan budget. 'In yet another misguided handout to Wall Street at the expense of Main Street, Congressman Paul Ryan today introduced his latest budget plan, designed to place the blame for his fourteen years of poor decisions squarely on the backs of our hardworking families,' said Zerban, a successful businessman and local elected official in Kenosha, Wisconsin. 'Continuing to choose the millionaires who fund his campaigns instead of the people of Wisconsin to whom he swore an oath to represent, Paul Ryan has once again shown that his Washington political priorities are grossly out of touch with our Wisconsin values. From raising healthcare costs for our seniors by privatizing Medicare, to reducing Pell Grants and Stafford Loans for our students, Paul Ryan is single-handedly working to dismantle each and every program that people of all generations count on. Instead of a laser focus on creating jobs, he focused solely on removing safety nets for our most vulnerable populations.'" Click here for more.

Bethany McLean: The meltdown explanation that melts away
Bethany McLean (Reuters)
March 19, 2012

"Although our understanding of what instigated the 2008 global financial crisis remains at best incomplete, there are a few widely agreed upon contributing factors. One of them is a 2004 rule change by the U.S. Securities and Exchange Commission that allowed investment banks to load up on leverage. This disastrous decision has been cited by a host of prominent economists, including Princeton professor and former Federal Reserve Vice- Chairman Alan Blinder and Nobel laureate Joseph Stiglitz. It has even been immortalized in Hollywood, figuring into the dark financial narrative that propelled the Academy Award-winning film Inside Job*. As Blinder explained in a Jan. 24, 2009* New York Times *op-ed piece, one of what he listed as six fundamental errors that led to the crisis came 'when the SEC let securities firms increase their leverage sharply.' He continued:'"Before then, leverage of 12 to 1 was typical; afterward, it shot up to more like 33 to 1. What were the SEC and the heads of the firms thinking?' More recently, Simon Johnson, a former chief economist at the IMF, said last November that the decision 'by the Bush administration, by the SEC to allow investment banks to massively increase their leverage … in terms of the big mistakes in financial history, that's got to be in the top 10.' It is certainly true that leverage at the investment banks zoomed between 2004 and 2007, before the near collapse. And this narrative of the rule change has plenty of appeal — it serves up villains. Stupid SEC people! Greedy bankers! It also suggests regulators were in the pockets of the big banks, and it offers support for the narrative of financial deregulation that many put at the center of the crisis." Click here for more.*

Ben Bernanke's frugal PR push
Josh Boak (Politico)
March 20, 2012

"Ben Bernanke knows he has a public relations problem. And there's only so much he can do to fix it. Everything the Federal Reserve chairman says puts the central bank's cherished political independence at risk. So he's left hoping that small moves — quarterly press conferences, a new Twitter account and giving a few college economics lectures — will be enough to do the trick. Or at least, it'll have to be enough. 'This outreach is to help as many people as possible, including the media, to understand that we're doing our very best for the public,' Bernanke told POLITICO in a rare interview. With the economy still suffering and the Republican presidential candidates attacking him by name, Bernanke sits in his office a few blocks from the

White House in a precarious position: He wants to be more open about the work of the central bank that almost no one understands. Bernanke's second term runs through the start of 2014, but he thinks there's a good story to tell about what the Fed is doing to put the economy back on track. Figuring out how much to tell is the hard part." *Click here for more.*

Ben Bernanke is just doing his job, folks
Allan Sloan (Fortune)
March 21, 2012

"We have an unfortunate tendency in this country to treat people as either heroes or villains, with no gradations in between. Take Fed chairman Ben Bernanke. He's being called exceptionally vicious names by right-wing types for supposedly undermining our currency and planting the seeds for future inflation -- while also being excoriated by liberals for not doing enough to help the economy. Now comes The Atlantic*, which calls Bernanke a hero on its cover, touching off yet another debate among the chattering classes, which, I suppose, includes me. I don't know about you, but I've had enough of the hero-or-villain standard. Bernanke isn't a villain; he's not a hero. He's just a guy trying to do a complicated, high-pressure job the best he can, making plenty of mistakes along the way. The Fed is attracting lots of criticism from both sides because it's trying to play things down the middle, as Bernanke sees it. In addition, the Fed is the only major Washington institution that seems to be doing anything other than jockeying for position in the November elections. It's actually trying to do something, with no help from the other major players. And no, Bernanke isn't whispering in my ear -- we've never had a meaningful conversation. But what I'm saying is obvious to anyone studying the situation dispassionately." Click here for more.*

Agencies Told to Weigh Effects of Business Rules in U.S.
Andrew Zajac (Bloomberg)
March 20, 2012

"U.S. agencies should weigh the cumulative regulatory burden on small businesses and startups when crafting rules, said President Barack Obama's top regulator. 'The President's Council on Jobs and Competitiveness has emphasized the need for a smart and efficient regulatory system and has drawn particular attention to the cumulative effects of regulation,' Cass Sunstein, administrator of the White House Office of Information and Regulatory Affairs, said in a memo today. 'Cumulative burdens can create special challenges for small businesses and startups.' Obama issued an executive order in January 2011 directing U.S. agencies to promote "coordination, simplification and harmonization" and calling for the issuing of rules only when benefits justify costs. Sunstein emphasized the need for early consultation "with advance notice to, and close engagement with, affected stakeholders" and said that 'consideration of cumulative effects and of opportunities to reduce burdens and to increase net benefits should be part of the assessment of costs and benefits.' The top regulatory official at the Washington-based U.S. Chamber of Commerce, the nation's largest business-lobbying group, said Sunstein's office hasn't listened to the group's complaints about redundant rules. …The ***Coalition for Sensible Safeguards****, representing consumer, labor, environmental and other advocacy groups, said the memo is too focused on business concerns. 'If agencies are distracted from their core missions of protecting the public because they have to endlessly analyze the cumulative effects of regulation, everyone loses,' said coalition co-chairman Katherine McFate, who also is president of* ***OMB Watch****, a Washington-based nonprofit that works for more government accountability and transparency. Republicans have criticized Obama for issuing rules they said are too costly and have made his approach to regulation a campaign issue. Rules approved in the first 32 months of Obama's presidency cost $19.9 billion with net benefits of more than $91 billion, according to the White House Office of Management and Budget. The cost and benefit of rules exceed the totals of predecessors Bill Clinton and George W. Bush for comparable periods, the data show." Click here for more.*

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Upcoming Events

Capitol Hill

House Committee on Financial Services

Hearing entitled “The Semi-Annual Report of the Consumer Financial Protection Bureau”
Full Committee
March 29, 2012 9:30 AM in 2128 Rayburn HOB

Hearing entitled “The Collapse of MF Global: Part 3”
Oversight and Investigations
March 28, 2012 2:00 PM in 2128 Rayburn HOB

Hearing entitled “Accounting and Auditing Oversight: Pending Proposals and Emerging Issues Confronting Regulators, Standard Setters and the Economy”
Capital Markets and Government Sponsored Enterprises
March 28, 2012 10:00 AM in 2128 Rayburn HOB

Hearing entitled “Federal Reserve Aid to the Eurozone: Its Impact on the U.S. and the Dollar”
Domestic Monetary Policy and Technology
March 27, 2012 10:00 AM in 2128 Rayburn HOB

House Appropriations

Budget Hearing - Department of Treasury - Secretary of the Treasury
State, Foreign Operations, and Related Programs
March 27, 2012 10:00 AM in 2359 Rayburn **-** Witness: The Honorable Timothy Geithner, Secretary, Department of Treasury More

Updated Schedule - Budget Hearing - Treasury - Secretary
Financial Services and General Government
March 28, 2012 10:00 AM in 2359 Rayburn **-** Witness: Timothy F. Geithner, Secretary More

House Small Business Committee

Large and Small Businesses: How Partnerships Can Promote Job Growth
Full Committee
Wednesday, March 28, 2012

House Committee on Agriculture

Wednesday, March 28, 2012 – 10:30 a.m.
1300 Longworth House Office Building
Washington, D.C.
Subcommittee on General Farm Commodities and Risk Management—Public Hearing
RE: To review H.R. 3283, the “Swap Jurisdiction Certainty Act”, H.R. 1838 to repeal Section 716 of Dodd-Frank, and H.R. ___, the “Swap Data Repository & Clearinghouse Indemnification Correction Act of 2012”.

Farm Bill Field Hearings

Friday, April 20, 2012 – 9:00 a.m. CDT
Magouirk Conference Center
4100 W. Comanche
Dodge City, KS 67801

Committee on Oversight and Government Reform

No pertinent markups/hearings scheduled as of 3/23/12

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

No pertinent markups/hearings scheduled as of 3/23/12

Senate

Senate Banking, Housing, and Urban Affairs Committee

March 29th
Developing the Framework for Safe and Efficient Mobile Payments
538 Dirksen Senate Office Building
10:00 AM - 12:00 PM

March 28th
Retirement (In)security: Examining the Retirement Savings Deficit
538 Dirksen Senate Office Building
2:30 PM - 4:30 PM

March 27th
The Choice Neighborhoods Initiative: A New Community Development Model
538 Dirksen Senate Office Building
10:30 AM - 12:30 PM

Senate Committee on Finance

No pertinent markups/hearings scheduled as of 3/23/12

Senate Committee on Agriculture, Nutrition and Forestry

No pertinent markups/hearings scheduled as of 3/23/12

Senate Committee on Judiciary

No pertinent markups/hearings scheduled as of 3/23/12

Senate Committee on Appropriations

No pertinent markups/hearings scheduled as of 3/23/12

SEC

No pertinent hearings scheduled as of 3/23/12

CFTC

No pertinent hearings scheduled as of 3/23/12

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.

Shriver Center

Each year, immigrants all over the world send, or remit, a portion of their income to their family members living in their home countries. As one of the most important destinations of world immigration, the United States has emerged as the single largest source for remittance receivers who are typically the most impoverished populations within their home countries. Just as families' economic well-being would be jeopardized if remittances were suddenly cut off, already fragile foreign economies would also be imperiled. Over the last decade, the remittance market has undergone significant changes, including decreases in remittance fees, the entry of mainstream banks into the industry, and new regulations regarding disclosures and disputes. Speakers will discuss these changes and their effect on immigrant populations and the domestic and global community and asset building.

Wednesday, April 25, 2012 1:30 PM - 3:00 PM CDT
Register Today!