THIS WEEK IN WALL STREET REFORM

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Consumer Financial Protection Bureau (CFPB)

Republicans Do Not Have the Power to Block an Elizabeth Warren Recess Appointment
David Arkush (Public Citizen)
June 21, 2011

"If you're following the story of whether President Obama will nominate Elizabeth Warren to head the Consumer Financial Protection Bureau (CFPB), you've probably heard that the Republicans found a way to block even a recess appointment. It turns out that's mistaken." Click here for more.

Director or No, Wall Street's Newest Cop is Ready for Duty
Ben Protess (New York Times/Dealbook)
June 20, 2011

"Even as Congress squabbles over who will lead the new consumer watchdog, the fledgling agency is gearing up to police Wall Street. …On July 21, the bureau will formally open its doors and will be able to send its examiners into Goldman Sachs, JPMorgan Chase and other financial titans — whether or not it has a director. It can also issue new rules for big banks, examine their books and file enforcement actions, all crucial steps for an agency that was born only a year ago." Click here for more.

Nothing Can Stop Obama From Adjourning Congress, Making Recess Appointments
David Dayen (FireDogLake)
June 21, 2011

*"There's nothing stopping the President from recess-appointing Elizabeth Warren to **CFPB**, Peter Diamond to the Fed, or any other qualified nominee. If the President wants to stretch executive power in the area of warmaking, the least he could do is be ..."Click here for more.*

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Big Picture

Editorial – Banks hate regulation. But we already know how they behave without it.
Houston Chronicle
June 19, 2011

"Remember how, a few years ago, our financial system came within a hair of imploding? And remember how we taxpayers bailed out the bad boys who got us into that mess? Lately, in House hearings and a public forum with Fed Chairman Ben Bernanke, the big banks and their pet congressmen have argued that it's time we forgot that unpleasantness. We don't need regulations to make sure that a similar crash doesn't happen again, they say. We can trust them now. That, of course, is a load of bankhockey." Click here for more.

Op-ed - The Bankers Who Cried Wolf: Wall Street's History Of Hyperbole About Regulation
Marcus Baram (Huffington Post)
June 21, 2011

"Coming from all over the country, hundreds of investment bankers from financial powerhouses like J.P. Morgan gathered for dinner at the Waldorf-Astoria to discuss their shared concerns. Chief among them: The spread of investor protection laws, which they denounced as 'foolish, crude and unconstitutional.' Bond broker Warren S. Hayden said the laws were paternalistic and wrong in theory, arguing that they would hurt the industry by limiting the activity of securities dealers. Bank attorney Robert R. Reed called the new rules an 'unwarranted' and 'revolutionary' attack upon legitimate business. Click here for more.

Op-ed - Dimon's 'Pregnant' Problem
David Weidner (WSJ op-ed)
June 23, 2011

"When it comes to bankers most able to deliver the industry's message to Washington, Jamie Dimon has become Wall Street's courier of choice. He just doesn't have the baggage his counterparts do. Earlier this

month, it was Mr. Dimon who publicly challenged Federal Reserve Chairman Ben Bernanke about bank regulations Mr. Dimon argued were too onerous." *Click here for more.*

Tim Geithner: Banks Have Spent Vast Sums To 'Erode' Financial Reform
Bonnie Kavoussi (The Huffington Post)
June 23, 2011

"Nearly one year after Congress passed financial reform, Timothy Geithner appears to have had enough with anti-Dodd-Frank lobbying efforts. Treasury Secretary Timothy Geithner said on Wednesday that large American banks are spending 'a huge amount of money to erode, weaken, walk back' the Dodd-Frank financial regulations that were enacted last year, according to The Wall Street Journal*. Geithner conceded that there was 'some risk that examiners are going to overdo it a bit,' but still defended the Dodd-Frank Act during a hearing before the House Small Business Committee, according to the* WSJ.*"* *Click here for more.*

Click here to view/read testimony by Secretary Geithner at before the House Committee on Small Business on "The State of Small Business Access to Capital and Credit" on Wednesday

Click here to view/read testimony by Richard Daley with AFR member the Main Street Alliances before the House Small Business Committee Subcommittee on Economic Growth, Capital Access and Taxes held a hearing entitled The Dodd-Frank Act: Impact on Small Business Lending on June 16th.

McConnell Does Wall Street's Bidding: 'The Less We Fund,' Regulators 'The Better America Will Be'
Pat Garofalo (ThinkProgress)
June 22, 2011

"House Republicans — as they have long threatened to do — have been advancing appropriations bills that undermine the Dodd-Frank financial reform law by not providing enough funding to the regulators charged with implementing it. The GOP has sought to cut the budgets of both the Securities and Exchange Commission and the Commodity Futures Trading Commission, two agencies that were already swamped with policing financial markets that have exploded in recent years." *Click here for more.*

Mitch McConnell Sides with Wall Street
Public Campaign (blog)
June 22, 2011

"…According to the Center for Responsive Politics: Since 1989, Sen. McConnell's campaign committee has received $5.7 million in campaign contributions from the finance, insurance, and real estate sector. In his last bid for re-election. That includes $1.6 million from securities and investment firms and $743,000 from commercial banks." *Click here for more.*

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CFPB and Consumer Issues

House committee votes to slash CFPB funding
Jon Prior (Housing Wire)
June 23, 2011

*"Lisa Donner, executive director of the consumer group **Americans for Financial Reform**, said the bill undermines the independence of the CFPB. 'They are trying to turn the CFPB into a weak and timid agency, without the will or ability to curb the kind of financial abuses that caused the nation's worst financial crisis since the Great Depression…"* *Click here for more.*

Click here to view AFR's press statement

Excerpt:

"The House Appropriations committee has just voted to slash funding for the Consumer Financial Protection Bureau (CFPB), and to dramatically undermine its independence by permanently subjecting it – alone amongst financial regulatory agencies – to the appropriations process. This will allow big Wall Street banks

and other financial industry special interests to manipulate the budget to prevent the Bureau from doing its job of standing-up for consumers."

Click here to view CFA's press statement and **click here** to view Public Citizen's

Lawmakers Take Aim at Consumer Financial Protection Bureau
Martha C. White (Time)
June 23, 2011

"The subcommittee slashed the CFPB's 2012 fiscal year budget, capping it at $200 million instead of the approximately $498 million for which the Dodd-Frank financial reform legislation made provisions. As if this wouldn't make it hard enough for the new ..." Click here for more.

CFPB identifies types of nonbank firms facing regulatory oversight
Kerri Panchuk (Housing Wire)
June 23, 2011

"The Consumer Financial Protection Bureau identified several types of nonbank firms that could eventually be classified as larger participants in the consumer financial markets, allowing the CFBP to supervise the companies at a later date." Click here for more.

Fraud Concerns Raised by Fed Proposal to Reduce Check Hold Times
Claude R. Marx (Credit Union Times)
June 15, 2011

"...*The proposed rule, which increases next business day availability for certain funds and would reduce the time financial institutions could hold payment on checks they find suspicious, was mandated by last year's financial overhaul bill. Under the three-year deferral, only one-sixth of executives' pay would be at risk for the full period and this doesn't create adequate risk exposure, according to a comment letter from* ***Americans for Financial Reform****, a coalition of 250 national, state and local organizations. The American Federation of State, County and Municipal Employees raised similar points.****"*** *Click here for more.*

Consumers Union Report: Mobile payments could be risky for consumers
Consumers Union
June 15, 2011

"Mobile payments are being touted as the next big thing for consumers but could pose a financial risk when mistakes are made by merchants or if a phone is lost or stolen and used to make fraudulent charges. Consumers Union, the nonprofit publisher of Consumer Reports, is calling on wireless carriers to make sure consumers are protected from mobile payment fraud and mistakes by adopting strong safeguards in customer contracts." Click here for more.

Chamber calls on agencies to divide new consumer protection abilities
Peter Schroeder (The Hill)
June 20, 2011

*"The US Chamber of Commerce is calling on the Consumer Financial Protection Bureau (****CFPB****) and the Federal Trade Commission (FTC) to divvy up responsibilities before the* ***CFPB*** *goes live in July.* ***..."*** *Click here for more.*

Federal Reserve Temporarily Exempts Dealers from Certain Data Collection Requirements
Jennifer Reed (Auto Remarketing)
June 21, 2011

"The CFPB previously announced that creditors are not obligated to comply with the data collection requirements until the CFPB issues detailed rules to implement the law. Consistent with the CFPB's determination, the board is issuing a proposed rule to ..." Click here for more.

Chamber Of Commerce Questions FTC/CFPB Enforcement Overlap
MortgageOrb.com
June 21, 2011

*"The US Chamber of Commerce has questioned whether the Federal Trade Commission (FTC) will run the risk of overlapping enforcement duties with the new Consumer Financial Protection Bureau (**CFPB**). ..."* *Click here for more.*

Elizabeth Warren, CFPB Holds Reverse Mortgage Meeting with NRMLA
Elizabeth Ecker (Reverse Mortgage Daily)
June 21, 2011

*"We support the **CFPB's** efforts to review the reverse mortgage market. This is an important opportunity to get out the facts and evidence about what is happening in our business, and progress beyond the rhetoric voiced by under-informed critics. ..." Click here for more.*

Discrediting America: The Urgent Need To Reform The Nation's Credit Reporting Industry
June 20, 2011
Amy Traub and Shawn Fremsted (Demos)

"Credit reports and scores have a direct and growing impact on Americans' economic security and opportunity. Having poor credit can mean a consumer will end up paying a higher interest rate for a loan or a higher premium for car or homeowner's insurance; have their application for a loan or insurance denied; be turned down for a job, or even be terminated from their current one. Credit history can affect the way Americans are treated by landlords, utility companies, and hospitals. Yet this report finds that today's credit reporting system falls short on basic goals of fairness and accuracy." Click here for more.

House GOP Requests CFPB Records
MortgageOrb.com
June 22, 2011

*"House Republicans are pressing US Treasury Secretary Tim Geithner to release documents showing communications between the Consumer Financial Protection Bureau (**CFPB**) and state attorneys general regarding the ..." Click here for more.*

ICYMI: Hill Leaders Press Warren
Ben White (Politico's Morning Money)
June 22, 2011

"Letter from House Financial Services Chairman Spencer Bachus (R-Ala.) and other members seeking more information from CFPB czar Elizabeth Warren on the agency's involvement in mortgage servicer talks. http://politi.co/kCYwos"

Op-Ed – New consumer bureau will be a bust - guaranteed
Robert J. Murphy (Washington Times)
June 21, 2011

*"In July, the Consumer Financial Protection Bureau (**CFPB**) formally begins operations. Republicans oppose President Obama's top choice, Elizabeth Warren, to head the new bureau, which should not have been created in the first place. ..." Click here for more.*

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Shadow Markets and Systemic Risk

Senate Republicans prod SEC nominees on Dodd-Frank
Mark Schoeff, Jr. (Investment News)
June 19, 2011

"The leading Senate Republican on financial issues won't block the confirmation of two Securities and Exchange Commission nominees, though he will push the agency to conduct economic analyses of financial regulations — a demand that is slowing down the implementation of the Dodd-Frank reform law." Click here for more.

Lawmakers Challenge Derivatives Rules
Ben Protess (NYT/Dealbook)
June 23, 2011

"A growing number of lawmakers are pressuring regulators to water down a series of new rules for the derivatives industry. The lawmakers, Republicans and Democrats alike, argue that some proposed rules could force Wall Street's derivatives business overseas. They also say that regulators are ignoring a crucial exemption to the rules spelled out in the Dodd-Frank financial regulatory law. 'The Dodd-Frank Act was intended to and should to bring real change to the derivatives market,' ***Americans for Financial Reform*** *said in a recent letter to the commodities agency." Click here for more.*

Op-ed - Banking's Moment of Truth
Joe Nocera (NYT)
June 20, 2011

"Capital matters. Let me put that another way. The current fight over additional capital requirements for the banking industry, eye-glazing though it is, also happens to be the most important reform moment since the financial crisis broke out three years ago. More important than the wrangling over Dodd-Frank. More important than the ongoing effort to regulate derivatives. More important even than the jousting over the new Consumer Financial Protection Bureau." Click here for more.

Gensler Evolving in Derivatives War Sees No Deed Go Unpunished
Kambiz Foroohar (Bloomberg)
June 21, 2011

"Gary Gensler, chairman of the Commodity Futures Trading Commission, took his seat before a Senate appropriations subcommittee on May 4 to make his case for a $106 million budget increase. Without the money, Gensler said, his agency wouldn't be able to perform its new job of policing roughly $300 trillion in U.S. over-the-counter derivatives, a market that includes the credit-default swaps that helped push the U.S. economy into the worst recession in 70 years, Bloomberg Markets magazine reports in its August issue…."This is a perfect lobbying storm," says Marcus Stanley, policy director of ***Americans for Financial Reform****, which is seeking greater regulation. "The people who understand the most about the fine print are the ones making money." Click here for more.*

Bi-Partisan Derivatives Push
Ben White (Politico's Morning Money)
June 21, 2011

"Sen. Debbie Stabenow (D-Mich.), chair of the Senate Agriculture Committee and Rep. Frank Lucas (R-Okla.), chair of the House Agriculture Committee, wrote to federal regulators urging them to implement the derivatives title of Dodd-Frank in a way that does not imposed extra costs on end-users or put U.S. firms at a disadvantage to foreign competitors. Letter: http://politi.co/mxFKvA"

Fed moves to delay capital rule for swaps
Ronald D. Orol (MarketWatch)
June 23, 2011

"Federal regulators on Thursday moved to lengthen a comment period and possibly delay adoption of a proposal seeking to ensure big bank derivatives-trading institutions have enough capital to survive future major credit crunches. Five federal agencies, including the Federal Reserve, are allowing banks and others an additional month to comment on a proposal seeking to set up margin and capital requirements for so-called 'swaps-dealers' or 'major swap participants' such as certain big banks. The new deadline is July 11. Previously, the comment period was set to expire Friday and there is no statutory deadline for regulators to adopt rules for these institutions." Click here for more.

FDIC's Bair Disputes Concerns About Higher Capital Requirements
Alan Zibel (Dow Jones Newswires)
June 22, 2011

"The departing chairman of the U.S. Federal Deposit Insurance Corp. on Wednesday disputed a fellow regulator's argument that tougher bank-capital requirements would harm the economy, saying those

requirements would make future bailouts less likely. FDIC Chairman Sheila Bair, speaking at a House subcommittee hearing, argued in favor of stringent requirements for banks' capital cushions, which absorb losses. Those capital requirements and powers that regulators received under the Dodd-Frank financial law to plan for the failure of large financial firms will encourage those institutions to simplify their structures and prevent future bailouts, Bair said." Click here for more.

Click here to view the opening statement from FDIC Chairman Sheila Bair before the Subcommittee on TARP, Financial Services, and Bailouts of Public and Private Programs; Committee on Oversight and Government Reform, U.S. House Of Representatives on Wednesday

New Capital Regulations Draw Ire From Major Banks
Market Watch (Press Release)
June 21, 2011

"Earlier this month, regulators announced that the world's largest banks could face a capital buffer of as much as three percentage points in an effort to keep taxpayers off the hook the next time a lender gets into difficulty. Large financial institutions are planning a campaign to persuade regulators that imposing higher capital requirements on big banks could hurt the economic recovery and not achieve its goal of reducing risk". Click here for more.

European Banking System Criticized by U.S. Regulators
Kavita Moza (Forex Dice)
June 21, 2011

"On Thursday foreign regulators were loathed by U.S. bank regulators, stating the way financial institutions in Europe are only concerned about their own capital requirements, forgetting the upsettingly high prospects of future problems. According to Sheila Bair, the retiring Chairman of FDIC (Federal Deposit Insurance Corp), through the utilization of internal risk estimates, the European banks lay down their own capital requirements free of any limits which are objective and rigid." Click here for more.

JPMorgan settles SEC charges for $153m
Kara Scannell (FT – registration required)
June 21, 2011

"JPMorgan Chase agreed to pay $153.6m to resolve US Securities and Exchange Commission civil fraud charges that it misled investors in a mortgage-related security it constructed for Magnetar, an Illinois hedge fund. The SEC charged JP Morgan with failing to disclose to investors in the collateralised debt obligation, a security linked to mortgage-backed securities, the role of Magnetar. The hedge fund helped select mortgages included in the CDO, named Squared, and was betting against them. The SEC alleged that investors were told that an independent firm, GSC Capital, had selected the portfolio." Click here for more.

Payback For Ben Bernanke: Jamie Dimon Crushed By SEC Settlement
Courtney Comstock (Business Insider)
June 23, 2011

"A couple of weeks ago, you'll remember, Jamie Dimon ambushed Ben Bernanke at a press conference. He was quickly pronounced a hero on Wall Street for protesting regulations that bankers insist are dangerous and untested. Yesterday, this head line came out:. For Bernanke, it was payback." Click here for more.

SEC tightens reins on hedge funds
David S. Hilzenrath (Washington Post)
June 22, 2011

"Hedge funds are about to become a bit less mysterious. Many will have to make limited disclosures to the Securities and Exchange Commission and answer to its regulators under rules the agency adopted Wednesday." Click here for more.

Dems call for removal of top banking regulator
Peter Schroeder (The Hill)
June 23, 2011

"Sen. Sherrod Brown (D-Ohio) has become the latest Democratic senator to call for the firing of John Walsh as acting Comptroller of the Currency. Brown sent a letter to Treasury Secretary Timothy Geithner Thursday calling for Walsh's removal as soon as possible, arguing that his 'deeply flawed' resistance to strong capital requirements for banks is a threat to the nation's financial stability." Click here for more.

John Walsh, a Regulator Critical of Over-Regulation
Victoria McGrane (WSJ – subscription required)
June 21, 2011

"There aren't many regulators saying things that big banks want to hear these days, but they'll like this: Acting Comptroller of the Currency John Walsh on Tuesday warned international regulators that they may be trying to rein in the financial industry too much. 'We are in danger of trying to squeeze too much risk and complexity out of banking as we institute reforms to addresses problems and abuses stemming from the last crisis,' he said at the Centre for the Study of Financial Innovation in London, according to his prepared remarks.' Click here for more.

Commodity Speculation

Americans for Financial Reform (AFR) will host a conference call with reporters and bloggers on **Tuesday, June 28st** at **2:00 PM EDT** to release a report entitled *"How Wall Street Speculation is Driving Up Gasoline Prices Today"* by Robert Pollin and James Heintz of the University of Massachusetts, Amherst. Click here for more information.

Senators Aim To Tighten Rules on Oil
Ianthe Jeanne Dugan and Liam Pleven (WSJ - subscription)
June 20, 2011

"Riled as U.S. regulators delay new rules on how Wall Street channels money into commodities, several lawmakers are pushing to accelerate reform of a key part of the market—oil investments. Sen. Bernard Sanders, an independent from Vermont, last Tuesday introduced a bill that would sharply curb investments by so-called speculators—those with no commercial interest in oil. Sen. Bill Nelson (D., Fla.) co-sponsored the bill and plans to introduce his own later this month, calling for investment limits that the Commodities Futures Trading Commission was supposed to have put in place in January under the Dodd-Frank financial law." Click here for more.

Click here to view a letter in support of the End Excessive Oil Speculation Now Act with 36 co-signers, including, Public Citizen, Americans for Financial Reform, Main Street Alliance, and New England Fuel Institute

Oil reserves release shocks markets
Sylvia Pfeifer and Javier Blas in London and Anna Fifield in Washington and Najmeh Bozorgmehr in Tehran (FT – registration required)
June 24, 2011

"Oil prices dropped more than 7 per cent after western nations released the biggest amount of oil from their emergency strategic stocks since 1991, in a warning shot aimed at Opec, the oil producers' cartel. The International Energy Agency agreed to release 60m barrels of oil in the coming month to offset the daily production loss of 1.5m barrels of high quality oil from Libya, the north African country engulfed in a civil war. The US led the release with its special petroleum reserve providing 50 per cent of the crude oil. Japan, Germany, France, Spain and Italy are providing most of the rest. The IEA said that it was in consultation with China, the world's second-largest oil consumer, but declined to say whether Beijing would join the effort. Brent crude prices tumbled 7.4 per cent to $105.72 a barrel after the news was released, before settling at $107.26 in late London trading. Investors sought the safety of US government debt, pushing yields on four-week Treasury bills into negative territory and yields on three-month bills to just above zero. The yield on 10-year Treasury notes fell 8 basis points to 2.91 per cent, the lowest close since December." Click here for more.

Pension funds mull ethics of commodity investments
Eric Onstad (Reuters)

June 22, 2011

"Some pension funds are beginning to question their investments in commodities after accusations that massive flows into the sector have distorted markets, fuelled food inflation and hurt poor nations. The role of hot money in commodities has unnerved some investors following high profile campaigns by pressure groups and French President Nicolas Sarkozy linking surging grain and fuel prices to a rise in poverty in developing countries. 'The last thing they want to do is to be on the other side of a trade to a starving person in Africa," said a source in the fund management industry in London who has noted an increase in concern about the issue but declined to be named.'" [Click here for more.]

Sen. Sanders On Nuclear Regulation, Oil Speculation, Troop Reduction
Bob Kinzel (Vermont Public Radio)
June 23, 2011

"Bernie Sanders recently took the Nuclear Regulatory Commission to task over its unwillingness to disclose whether it would play a role in the Entergy vs. State of Vermont lawsuit. He has also been speaking out on oil price speculation. And we get his response to President Obama's announcement about troop withdrawals from Afghanistan." Click here for more.

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Foreclosures and Housing

House Republicans concerned about consumer bureau's role in foreclosure issues
Vicki Needham (The Hill)
June 21, 2011

"The new request comes after Judicial Watch, a nonpartisan public interest group that investigates government corruption, uncovered e-mails, meeting minutes and other records that show the ***CFPB*** *has been heavily involved in the negotiation, ..."Click here for more.*

Oversight Group Did Not Refer Housing Complaints
Gretchen Morgenson (NYT)
June 21, 2011

"The federal agency overseeing Fannie Mae and Freddie Mac, the taxpayer-owned mortgage finance giants, failed to refer to criminal investigators and other authorities almost 100 complaints about possible foreclosure abuse and mortgage fraud at the companies over a recent two-year period, according to a report issued late Tuesday by the inspector general of the Federal Housing Finance Agency." Click here for more.

BofA's $1.1 Billion in Foreclosure Fees May Spread to Rivals
Hugh Son and Lorraine Woellert (Bloomberg Government)
June 17, 2011

"Bank of America Corp.'s $1.1 billion in expenses for foreclosure delays may be just the start of fees for the biggest U.S. mortgage servicer and its rivals as Fannie Mae and Freddie Mac assess more penalties for missed deadlines. The failure to meet timelines cost the firm $874 million in the first quarter and $230 million in the prior period, Bank of America said last month. The tally will rise as the two U.S.- owned mortgage firms become more "aggressive" with servicers, and more foreclosures are postponed, the Charlotte, North Carolina-based bank said in a regulatory filing." Click here for more.

National Credit Union Administration Board sues big banks for $800M
Steve Vockrodt (Kansas City Business Journal)
June 20, 2011

"A federal credit union regulator filed a pair of lawsuits in Kansas accusing major financial institutions of selling credit unions mortgage-backed securities that were far riskier than they represented. The suits seek a combined $800 million." Click here for more.

JPMorgan, RBS Sued by Federal Agency Over Mortgage Bonds

Steven Church (Business Week)
June 20, 2011

"JPMorgan Chase & Co. and Royal Bank of Scotland Group Plc units were sued by the federal agency that regulates credit unions, seeking to recover money lost on mortgage-backed securities. The National Credit Union Administration Board, or NCUA, accused the institutions of packaging and selling mortgage bonds with loans that didn't meet underwriting guidelines. The bonds, sold to federally chartered credit unions, were rated AAA when issued, according to the agency." Click here for more.

Reworking Risk Retention
Mark Zandi and Cristian deRitis (Moody's)
June 20, 2011

"U.S. regulators are working hard to implement the changes to the financial system set in motion by Congress' most recent reforms. In general, these reforms should make the system more stable, with fewer and less severe financial crises in the future. Yet some elements of the reform were poorly crafted and have the potential to significantly impair the financial system if their flaws are not corrected. Among the most salient examples are the rules for lenders to retain part of the risk when they repackage loans into securities." Click here for more.

Cummings Calls on Issa to Subpoena Banks in Foreclosure Investigation
David McLaughlin (Bloomberg)
June 22, 2011

"Describing new evidence of illegal foreclosures, inflated fees, and other widespread abuses, Ranking Member Elijah E. Cummings wrote to Chairman Darrell Issa today to request that the Committee issue subpoenas to require mortgage servicing companies to produce previously-requested documents." Click here for more.

Mortgage Principal Write-Downs Lagging Even With States Paying
Lorraine Woellert (Bloomberg)
June 22, 2011

"When Javier Gonzalez saw that the value of his Hawthorne, California, townhouse had fallen below what he owed on his mortgage, he decided he had three choices. He could make payments he might never recover, walk away from the loan, or get his lender to reduce his principal. When Gonzalez, 39, a communications consultant who bought the home for $450,000 in 2007, had no luck with his bank, he decided it was a bad investment. He stopped making payments and moved out in October 2009."

CRL: Qualified Residential Mortgages: Down Payment Rules Threaten Buyers – and the Economy
Center for Responsible Lending
June 22, 2011

"As part of implementing the Dodd-Frank financial reform bill, federal regulators are charged with defining a 'Qualified Residential Mortgage' or QRM. The current proposal calls for requiring down payments up to 20% on QRM loans. This is significant, because the QRM definition will likely become a broader standard for 'safe' mortgages." Click here for more.

How the mortgage industry lies with statistics
Felix Salmon (Reuters)
Jun 23, 2011

"Yesterday something calling itself the Coalition for Sensible Housing policy put out a dense 13-page white paper entitled 'Proposed Qualified Residential Mortgage Definition Harms Creditworthy Borrowers While Frustrating Housing Recovery'. It's all part of the lobbying campaign surrounding Dodd-Frank, and the eminently sensible idea that if a bank wants to securitize a bunch of mortgages, it has to keep at least 5% of those mortgages for itself. Somehow, in the course of putting Dodd-Frank together, an exception was carved out to that rule, called the Qualified Residential Mortgage, or QRM. For the small group of the most copper-bottomed mortgages, banks could sell off the whole lot, without having to retain 5%." Click here for more.

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Executive Compensation

Business group: Public companies shouldn't have to compare CEO and worker pay
Peter Whoriskey (Washington Post)
June 24, 2011

"One financial figure some big U.S. companies would rather keep secret is how much more their chief executive makes than the typical worker. Now a group backed by 81 major companies — including McDonald's, Lowe's, General Dynamics, American Airlines, IBM and General Mills — is lobbying against new rules that would force disclosure of this comparison." Click here for more.

Stock awards and bonuses push up compensation totals
Danielle Douglas (Washington Post)
June 19, 2011

"Hefty stock awards and bonuses drove total compensation up more than 20 percent for Washington's highest-paid chief executives last year, reflecting a nationwide trend among the largest public companies. The awards came in a year when many top executives were busy steering their companies out of the worst economic downturn since the Great Depression. And for many, the packages are the last before new government rules take effect this year mandating nonbinding "say-on-pay" votes by shareholders." Click here for more.

With executive pay, rich pull away from rest of America
Peter Whoriskey (Washington Post)
June 18, 2011

"It was the 1970s, and the chief executive of a leading U.S. dairy company, Kenneth J. Douglas, lived the good life. He earned the equivalent of about $1 million today. He and his family moved from a three-bedroom home to a four-bedroom home, about a half-mile away, in River Forest, Ill., an upscale Chicago suburb. He joined a country club. The company gave him a Cadillac. The money was good enough, in fact, that he sometimes turned down raises. He said making too much was bad for morale." Click here for more.

The latest on Say on Pay votes
Compensation Standards
June 19, 2011

"There were nearly two dozen (22) new proxy statements filed this week containing the Dodd-Frank Act shareholder advisory vote proposals; most of which recommended an annual "Say on Pay" vote. This brings the total for the year to 2,686 filings. As of Friday evening, June 17th, the breakdown of company recommendations for the "Say on Pay" frequency vote in definitive and preliminary proxy statements that had been filed for the 2011 proxy season was as follows:- 1,366 companies had recommended an annual vote;- 1,168 companies had recommended a triennial vote;- 77 companies had recommended a biennial vote; and - 75 companies had made no recommendation." Click here for more.

Bonus Cuts, Pay Raises, Then Layoffs
Andrew Ross Sorkin (NYT/Dealbook)
June 20, 2011

"It¹s hardly surprising that Wall Street is bracing for layoffs. The European debt crisis is rocking the markets. New regulations are crimping bank profit centers. And smaller bonuses are sending other compensation costs soaring. Scratching your head about that last one?" Click here for more.

Center Makes Last Minute Push for Democratic Support Before Next Week's Markup of Pay Ratio Repeal Bill
Center on Executive Compensation
June 17, 2011

"The Center On Executive Compensation is leading a last minute lobbying push to expand bipartisan support for legislation to repeal the Dodd-Frank pay ratio mandate that the House Financial Services Committee will consider next Wednesday. H.R. 1062, the Burdensome Data Collection Relief Act, sponsored by Rep. Nan Hayworth (R-NY), would remove the mandate, which would require all publicly traded companies to calculate the median employee compensation and compare that to the total pay of the CEO. In a letter to Financial Services Committee Chairman Spencer Bachus (R-AL), the Center says the pay ratio "creates an administratively burdensome reporting requirement in which the costs far outweigh the benefits and would not provide shareholders with useful information or facilitate a better understanding of pay practices." Click here for more.

2011 U.S. Season Review: 'Say on Pay'
Jolene Dugan (ISS – subscription required)

"During the first year of advisory votes on executive compensation under the Dodd-Frank Act, investors have overwhelmingly endorsed companies' pay programs, providing 91.2 percent support on average (based on 'for' and 'against' votes). This support exceeds the 89.6 percent average approval in 2010, when 'say on pay' votes were mandated only at U.S. government-supported financial firms. While the median total compensation for CEOs at S&P 500 firms increased by more than 33 percent last year, those pay increases haven't translated into more shareholder opposition, in part because of greater engagement by issuers. Dozens of companies have released supplemental proxy materials to address investor concerns or made late changes to their pay practices to win shareholder support. So far this season, S&P 500 companies have averaged 88.6 percent support, which is slightly less than the 91.8 percent approval for issuers in the Russell 3000 index, according to ISS data as of June 14. At the sector level, large-cap industrial companies had the lowest average support of 87.1 percent, while large consumer retail firms received the highest approval at 90.7 percent. Large financial firms, which traditionally have received more scrutiny over pay, had the second-highest approval average of 89.7 percent. Within the Russell 3000 index, the energy sector received the lowest level of average support (88.8 percent), while consumer retail firms again received the highest average approval (92.8 percent)." ISS 2011 U.S. Season Review: 'Say on Pay' – (subscription only)

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Interchange

Fed Sets Vote on Debit-Card Fee Curbs
Maya Jackson Randall (WSJ)
June 21, 2011

"The Federal Reserve next week is scheduled to vote on its final plan to regulate debit-card processing fees, giving banks and credit unions their first look at new fee curbs set to take effect next month. The public meeting is slated for the afternoon of June 29, according to a meeting notice the Fed released Tuesday afternoon." Click here for more.

Retailers Push Back
Ben White (Politico's Morning Money)
June 23, 2011

"In a letter to Fed Chairman Ben Bernanke, the Merchant Payments Association rips into the arguments made by the ABA suggesting the central bank scale back its proposed rule capping debit card swipe fees. From the letter: "Bankers have been quite outspoken about their intention and ability to influence the [Fed] to change its rules and in doing so they have called the independence and integrity of the [Fed] into question. The [Fed] is not a political body that should be swayed by pressure politics ... Full letter: http://politi.co/kMlDpF"

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Student Lending

Issa plans hearing on scandal-ridden education regulation

Jonathan Strong (The Daily Caller)
June 20, 2011

"Top GOP oversight official Rep. Darrell Issa of California is quietly planning a hearing on a scandal-ridden new regulation just finalized by the Education *Department, according to a June 13* letter *he sent to New York Democrat Rep. Edolphus Towns." Click here for more.*

Washington Post Company Family Nets $10 Million In Stock Sale After For-Profit Regulations Released Earlier This Month
Chris Kirkham (The Huffington Post)
June 20, 2011

"In the days after the Obama administration issued a set of watered-down regulations governing the for-profit college industry earlier this month, Washington Post Company Chairman and Chief Executive Donald Graham, one of the top executives in the for-profit college industry, sold off millions of dollars in stocks held in trusts benefiting family members." Click here for more.

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FTT

Political support grows for Robin Hood Tax
ITUC on-line
June 23, 2011

"On June 23rd, unions and NGOs held actions around the world in support of a Financial Transactions Tax (often referred to as the Robin Hood Tax). The International Trade Union Confederation (ITUC) called on decision makers in government to act to implement the tax as soon as possible. The tax is getting increasing political support, including a unanimous vote for the tax in Brazil's parliament and a call by European Commission President Manuel Barroso for the EU Summit on 23-24 June to put the issue on its agenda." Click here for more.

U.S. Nurses Bring Global Call to Tax Speculators to Wall Street
Sarah Anderson and Marlee Blasenheim (Institute for Policy Studies)
June 22, 2011

"Nurses from across the United States rallied on Wall Street today, calling on the financial industry to pay their fair share of the costs of the economic crisis." Click here for more.

OTHER

Can small biz bank on loan fund?
Josh Boak (Politico)
June 21, 2011

"Nearly nine months after its formation, a $30 billion government fund to foster small-business lending has yet to pay out a single dime ... Now, Rep. Sam Graves (R-Mo.) wants an explanation. And as chairman of the Small Business Committee, he hopes his sole witness at a hearing Wednesday - Treasury Secretary Timothy Geithner - can shed some light on the holdup. 'This isn't a witch hunt in any sense of the word,' Graves said. 'We're just trying to figure out why the fund isn't performing as advertised." ... [V]etting the financial soundness of each bank has required a lot of coordination with federal regulators, a Treasury official said, and the department has been attempting to strike a balance between protecting taxpayers and encouraging credit for small businesses." Click here for more.

Trades Reveal China Shift From Dollar
Jamil Anderlini and Tracy Alloway (FT – registration required)
June 20, 2011

"China began diversifying away from the US dollar in earnest in the first four months of this year, most likely by buying far more European government debt than US dollar assets, according to estimates from Standard Chartered Bank. China's foreign exchange reserves expanded by around $200bn in the first four months of the year, with three-quarters of the new inflow invested abroad in non-US dollar assets" Click here for more.

Lending Battle Is Risky Business
Carrick Mollenkamp (WSJ – subscription required)
June 21, 2011

"Banks and other lenders are engaged in an increasingly pitched fight for some corporate borrowers, raising concerns among analysts and regulators that the banks aren't charging enough to cover the risk ... The battle to make loans, in contrast to the credit squeeze of recent years, is being driven by two factors: demand by investors for these loans and desire by banks to boost their revenues, which they have struggled to do recently. Click here for more.

Editorial - Greece and You
New York Times editorial
June 21, 2011

"The euro-zone bailout of Greece is, in good part, a bailout of European banks. In France and Germany alone, banks hold some $90 billion worth of public and private Greek debt. The European Central Bank also holds Greek government debt, and the fear is that if Greece defaults, cascading losses could threaten all of Europe." Click here for more.

Lawmakers Worry About U.S. Money Market Funds' Exposure to European Debt
Peter Barnes (Fox Business)
June 23, 2011

"The chairman of the House subcommittee that oversees the mutual fund industry said Thursday he was 'taken aback' when he learned of the high levels of short-term debt of European banks held by U.S. money market funds—more $900 billion--and plans to "drill down" into the issue at an oversight hearing Friday to probe whether investors are safe from the debt problems shaking Greece and some of its neighbors." Click here for more.

Citigroup Hack Prompts Bank Reg Debate
Shanti Bharatwaj (The Street)
June 22, 2011

"Recent high-profile data breaches, including the latest at Citigroup(C), have increased the call for greater regulation of data practices affecting financial institutions and their customers." Click here for more.

Inside the Koch Brothers Expensive Echo Chamber
Robert Greenwald (The Huffington Post)
June 22, 2011

"Documents and interviews unearthed in recent months by Brave New Foundation researchers illustrate a $28.4 million Koch business that has manufactured 297 commentaries, 200 reports, 56 studies and six books distorting Social Security's effectiveness and purpose." Click here for more.

A Dirty Business
George Packer (The New Yorker)
June 27, 2011

"In the fall of 2003, Anil Kumar, a senior executive with the consulting firm McKinsey, and Raj Rajaratnam, the head of a multibillion-dollar hedge fund called Galleon, attended a charity event in Manhattan. They had known each other since the early eighties, when, as recent immigrants, they were classmates at the Wharton School of Business, in Philadelphia. Their friendship, intermittent over the years, was based on self-interest rather than on intimacy. Kumar, born in Chennai, formerly Madras, India, was fastidious and morose, travelling at least thirty thousand miles a month for work, and seldom socializing. Rajaratnam, a Tamil from Colombo, Sri Lanka, was fleshy and dark-skinned, with a charming gap-toothed smile and a sports fan's

appetite for competition and conquest. Kumar was not among the group whom Rajaratnam took on his private plane to the Super Bowl every year for a weekend of partying. "I'm a consultant at heart," Kumar liked to say. "I'm a rogue," Rajaratnam once said. Kumar had the more precise diction and was better educated, but Rajaratnam was one of the world's new billionaires and therefore a luminary among businessmen from the subcontinent. In an earlier generation of immigrant financiers, Kumar would have been the German Jew, Rajaratnam the Russian. Kumar might have felt some disdain for Rajaratnam, but Rajaratnam's fortune made him irresistible." [Click here for more.](#)

Bernanke Public Approval Falls to Lowest Level
Joshua Zumbrun (Bloomberg)
June 24, 2011

"Federal Reserve Chairman Ben S. Bernanke's standing with the public has slid to its lowest level in almost two years of polling on the issue, even as faith in the Federal Reserve holds up. Bernanke is viewed favorably by 30 percent of those polled, compared with 26 percent who view him unfavorably; the remainder are unsure. In September of 2009, Bernanke enjoyed 41 percent approval and 22 percent disapproval. The Fed itself is viewed favorably by 42 percent of voters, little changed from previous surveys." Click here for more.

Ugly Details in Selling Newspapers
David Carr (New York Times)
June 19, 2011

"Any look behind the curtain of Wall Street is not going to be pretty. But there is not pretty and then there is plain ugly. James O'Shea, the former editor in chief of The Los Angeles Times, found a classic of the genre in the course of reporting out 'The Deal From Hell: How Moguls and Wall Street Plundered Great American Newspapers,' his deep dive into the two deals that tipped over the companies that owned, among many other newspapers, The Los Angeles Times and The Chicago Tribune. That's all known. …What Mr. O'Shea focused on was how the bankers — who he said should have known the deal would render the company insolvent — seemed to be too busy counting their fees to care. Here's a note he found buried deep in court records from Jieun Choi, an analyst at JPMorgan Chase & Company, that demonstrated a breathtaking level of cynicism and self-dealing…" Click here for more.

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Upcoming Events

Restoring The Balance: Financial Regulation and The Real Economy

Sponsored by: Americans for Financial Reform, AFL-CIO, Alliance for a Just Society, Demos, Main Street Alliance, Public Citizen, US P.I.R.G.

Tuesday, June 28th from 9:30 AM - 12:30

To RSVP, please contact Erin Kilroy at **erin@ourfinancialsecurity.org**, or (202)466-1885

Join us for a discussion of the outsized influence of Wall Street on our economy and what can be done about it. Speakers will include Thomas Hoenig, President of the Kansas City Federal Reserve; Scott Paul, Alliance for American Manufacturing; Rob Atkinson, Information Technology and Innovation Foundation; Margaret Blair of Vanderbilt University, Damon Silvers of the AFL-CIO, and others. This will be the first of a series of policy conferences to be presented by Americans for Financial Reform.

Since 1980, finance as a share of the economy has grown by over 60 percent. Even after the crisis, financial sector profits are still a quarter of all corporate profits, a level that would have been unprecedented before the 1990s. Beyond the financial sector, economic growth has been increasingly fueled by leverage-driven asset bubbles created by financial sector innovations.

"How Wall Street Speculation is Driving Up Gasoline Prices Today"

Americans for Financial Reform (AFR) will host a conference call with reporters and bloggers on **Tuesday, June 28[st]** at **2:00 PM EDT** to release a report entitled *"How Wall Street Speculation is Driving Up Gasoline Prices Today"* by Robert Pollin and James Heintz of the University of Massachusetts, Amherst. Click here for more information.

Town Hall Meeting with Elizabeth Warren, "Fighting for America's Working and Middle Class Families

Rep. Cummings and Elizabeth Warren
Thursday, June 30, 2011
6:30 p.m. to 8:00 p.m.
Enoch Pratt Free Library Central Branch located at 400 Cathedral Street, Baltimore.

Rep. Cummings will host A Town Hall Meeting with Elizabeth Warren, "Fighting for America's Working and Middle Class Families." The meeting will take place at the Enoch Pratt Free Library Central Branch located at 400 Cathedral Street, Baltimore. Elizabeth Warren, Special Advisor to the Secretary of the Treasury on the Consumer Financial Protection Bureau (CFPB) will discuss how the agency will protect consumers and ensure that they will get the clear, accurate information they need about mortgages, credit cards, and other financial products, and protect them from hidden fees, abusive terms, and deceptive practices.

Coalition for Sensible Safeguards

The Coalition for Sensible Safeguards invites you to join us in a presentation by Celinda Lake of Lake Research Partners.

Monday, June 27
1pm to 2:30pm
Public Citizen
1600 20th Street NW
Washington, DC 20009

Please RSVP to Sam Kim at skim@ombwatch.org with the subject line "CSS RSVP." Space is limited.

Background:

Powerful special interests are using their clout to wage an attack on a broad range of federal regulations — regulations that span from environmental and workplace to consumer, healthcare, and financial reform. In addition to creating crosscutting legislative proposals to undermine public protections, opponents of strong public protections are working to cut back agency regulatory budgets. This will affect inspections, enforcement, and more. The Coalition for Sensible Safeguards was formed to respond to these attacks and to propose ways to improve the regulatory process. CSS is governed by an executive committee, co-chaired by OMB Watch and Public Citizen, that includes AFL-CIO, Demos, the Economic Policy Institute, the Natural Resources Defense Council, and the Union of Concerned Scientists.

SEC

Open Meeting

June 29, 2011
10:00 a.m.
Auditorium, Room L-002

The subject matter of the Open Meeting will be:

The Commission will consider whether to propose rules under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act to establish business conduct standards for security-based swap dealers and major security-based swap participants. At times, changes in Commission priorities require alterations in the scheduling of meeting items. For further information and to ascertain what, if any, matters have been added, deleted or postponed, please contact: The Office of the Secretary at (202) 551-5400. Elizabeth M. Murphy Secretary

http://www.sec.gov/news/openmeetings/2011/ssamtg062911.htm

CFTC

No public meetings as of 6/24/11

Capitol Hill

House is on recess until July 5th (no votes scheduled on the 5th)

Senate Banking, Housing, and Urban Affairs Committee

Hearings

State of the FDIC: Deposit Insurance, Consumer Protection, and Financial Stability
Thursday, June 30
538 Dirksen Senate Office Building
2:00 PM - 4:00 PM

Emergence of Swap Execution Facilities: A Progress Report
Wednesday, June 29
538 Dirksen Senate Office Building
9:30 AM - 12:00 PM

Housing Finance Reform: Access to the Secondary Market for Small Financial Institutions
Tuesday, June 28
538 Dirksen Senate Office Building
10:00 AM - 12:00 PM

Senate Committee on Finance

No pertinent markups/hearings scheduled as of 6/24/11

Senate Committee on Agriculture, Nutrition, and Forestry

No pertinent markups/hearings scheduled as of 6/24/11

American Banker:

The CFPB: What to Expect in the First Six Months
Date: June 29, 2011
Time: 03:00PM ET
Duration: 60 Minutes
Price: $99.00

The Consumer Financial Protection Bureau (CFPB) officially opens its doors in July, set up to provide rules regulating mortgages, credit cards, and other consumer financial products and services.
With such vast authority, what power will the CFPB ultimately wield? What have we learned so far in the run up to the agency's debut about the impact it will have on your financial institution?
American Banker is hosting this live Web seminar, allowing you to pose questions to our expert panel about how the CFPB could affect your bank and the products you offer.

Topics to be addressed include:

- What is the full scope of the CFPB?

- The structure of the CFPB, how it's funded and how it will work with other bank regulatory agencies

How the CFPB's broad rulemaking authority could impact origination, marketing and servicing practices for the card and mortgage industries
Moderator:

- Kate Davidson, Reporter, *American Banker*

From our friends at the National Council of La Raza:

The White House has confirmed that President Barack Obama will speak at the 2011 NCLR (National Council of La Raza) Annual Conference, NCLR President and CEO Janet Murguía announced today. The NCLR Annual Conference and National Latino Family Expo, the single largest national Latino event of the year, will be held in Washington, D.C., July 23–26, at the Washington Marriott Wardman Park Hotel. More than 25,000 participants are expected to attend the four-day event.

Also confirmed as Conference speakers are Democratic Rep. Emanuel Cleaver, II of Missouri, Chair of the Congressional Black Caucus; author, columnist, and president and editor-in-chief of the Huffington Post Media Group Arianna Huffington; renowned actress and NCLR ALMA Awards® host and executive producer Eva Longoria; and Department of Labor Secretary Hilda Solis. Republican presidential candidates also have been invited to speak. Times and dates for all speakers, including President Obama, will be released in the coming weeks.
For additional information, please visit www.nclr.org/events.

From our friends at National Consumer Law Center:

H**andling Mortgage Cases from A to Z: Training and Hands-On Workshops for Litigators at All Levels** Training Conference. It will be held at the Boston Marriott Newton on July 14-15, 2011. The conference offers two tracks: Introductory and Advanced.

REGISTER ONLINE HERE: http://www.nclc.org/conferences-training/foreclosure-training-conference.html

Where: Boston Marriott Newton, 2345 Commonwealth Ave., Newton, Massachusetts. Located at the "crossroads" of Massachusetts, the Boston Marriott Newton is situated on 22 acres of spectacular, scenic conservation land along the Charles River. Discounted kayak boat rentals available for hotel guests. Rooms are $103 single or double occupancy on a first come basis until June 21, 2011, when the rate may increase. When making a reservation over the phone, call 1-800-228-9290 or 617-969-1000 and use the code "NCLC Mortgage Conference." Or book online from the link at www.nclc.org .

Topics will include:
State and federal claims challenging the origination of mortgage loans, Advanced TILA rescission, servicing claims and deciphering payment histories, loan modification promises and problems (HAMP and non-HAMP issues), and more.
To **SAVE MONEY** be sure to take advantage of money-saving conference deadlines:

- June 3, 2011: Scholarship deadline
- June 24, 2011: Deadline for early conference registration reduced rate.
- June 21, 2011: Space permitting, hotel rooms are available at a special conference rate of $103/night

To register online and to see more information about the conference such as the agendas, hotel, and scholarships please visit: http://www.nclc.org/conferences-training/foreclosure-training-conference.html

Complied by our friends at NFHA:

September 9-10 - John Marshall Law School 2011 National Conference (Chicago, IL)

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