CONSUMER FINANCE AND THE CFPB

**Senators Support Improving Debit Card Fraud Rights**
Ed Mierzwinski, USPIRG, 2/4/14

“At Monday’s Senate Banking Committee hearing on what to do about the Target and other recent data breaches, Senators led by subcommittee chairman Mark Warner (VA) endorsed our longtime U.S. PIRG platform that all plastic -- debit or credit -- should have the same consumer protections. Right now, debit card users have “zero liability” promises from their banks, but credit card users have strong protections by law. As Bloomberg quoted Senator Warner:

“‘I would support legislation that would equalize consumer protection for all forms of plastic,’ Warner said in an interview. ‘The notion that you have one set of protections for credit cards and a different one for debit -- I didn’t know that three weeks ago and that ought be addressed.’”

**Coming to a Post Office Near You: Loans You Can Trust?**
Elizabeth Warren, Huffington Post, 2/1/14

“According to a report put out this week by the Office of the Inspector General (OIG) of the U.S. Postal Service, about 68 million Americans -- more than a quarter of all households -- have no checking or savings account and are underserved by the banking system. Collectively, these households spent about $89 billion in 2012 on interest and fees for non-bank financial services like payday loans and check cashing, which works out to an average of $2,412 per household. That means the average underserved household spends roughly 10 percent of its annual income on interest and fees -- about the same amount they spend on food.

“Think about that: about 10 percent of a family's income just to manage getting checks cashed, bills paid, and, sometimes, a short-term loan to tide them over. That's more than a full month's income just to try to navigate the basics. The poor pay more, and that's one of the reasons people get trapped at the bottom of the economic ladder.

“But it doesn't have to be this way. In the same remarkable report this week, the OIG explored the possibility of the USPS offering basic banking services -- bill paying, check cashing, small loans -- to its customers.”

**Bankers Balk as Postal Service Floats Plan For Payday Loans, Digital Currency**
Joshua Rhett Miller, Fox News, 2/7/14
Postal Banking: Maybe Not So Crazy After All
Adam Levitin, American Banker, 1/31/14
“A recent white paper by the U.S. Postal Service’s Office of the Inspector General floated the idea of introducing postal banking services as a means of expanding financial inclusion. Not surprisingly, the banking industry has rushed to condemn the idea—which would create new competition for financial services—as sort of creeping socialism. But when one considers postal banking more carefully, the idea isn’t so crazy, although it raises a number of real questions and challenges.

“First, the idea of a postal bank is not new to the United States. The USPS successfully operated a postal savings bank from 1911 to 1967. The system was designed as the Republican (!) alternative to federal deposit insurance. The Postal Savings Bank was constrained by its statutory limitations to offering only passbook savings, but in World War II the Postal Savings Bank pioneered new ideas and technologies to help service members, such as deposit by mail…”

Consumers Lodge Thousands of Complaints About Firms That Service Mortgages
Kenneth R. Harney, Washington Post, 2/4/14

Federal Official Richard Cordray Falls Short of Victory in Return to ‘Jeopardy’
Danielle Douglas, Washington Post, 2/6/14

DERIVATIVES, COMMODITIES & THE CFTC

JPMorgan Nears Commodities Sale
Gregory Meyer and Camilla Hall, Financial Times, 2/7/14
“JPMorgan Chase moved closer to a sale of its physical commodities business on Wednesday, when the bank entered exclusive talks with the trading house Mercuria, according to a person close to the situation.

“If a deal is finalised, it will lift the Geneva-based company to the upper tier of global commodities traders while sharply curtailing JPMorgan’s presence in the oil, natural gas and coal markets.”

ICAP Seeks CFTC Oversight of London Swap-Trading Amid U.S. Suit
Silla Brush, Bloomberg, 1/31/14
“ICAP Plc is seeking U.S. oversight of an overseas swap-trading platform a month after Wall Street lobbying groups sued the Commodity Futures Trading Commission trying to curb the agency’s international reach.

“ICAP, the world’s largest broker of transactions between banks, wants to register a London-based platform with the CFTC to follow Dodd-Frank Act rules for swap-execution facilities and provide access to U.S. traders, according to an application submitted this month. The brokerage is the first large Sef platform to seek U.S. approval for an overseas-based entity.

“ICAP is showing there really is no reason you can’t be a European Sef and just go ahead and comply with the U.S. rules,’ Marcus Stanley, policy director at Americans for Financial Reform, a coalition including the AFL-CIO labor federation, said in a telephone interview
yesterday. ‘It’s past time for Wall Street to kind of comply with this framework instead of challenging it at every turn.’”

U.S. Said Near Deal With EU on Reprieve for Swap-Trade Rules
Silla Brush and Jim Brundsen, Bloomberg, 2/6/14
“U.S. and European Union officials are nearing a deal to grant EU swap-trading platforms a reprieve from Dodd-Frank Act rules set to take effect next week, according to two people with knowledge of the negotiations.

“The agreement would free trading platforms in the EU from U.S. rules for swap-execution facilities, or Sefs, at least temporarily, according to the people, who spoke on condition of anonymity because the talks are private. The negotiations between the Commodity Futures Trading Commission and European authorities are still under way and the agreement could change before Feb. 15, when the rules requiring the use of platforms take effect, the people said.”

ENFORCEMENT

Former SAC Trader Found Guilty of Insider Trading
Alexandra Stevenson & Matthew Goldstein, NY Times, 2/6/14

Blocked Ocwen-Wells Fargo Deal Raises Regulation Risk
James Detar, Investor's Business Daily, 2/6/14

FBI Arrests Two Men in Alleged $110-Million Ponzi Scheme
Stuart Pfeifer, Los Angeles Times, 2/6/14

EXECUTIVE COMPENSATION

Jamie Dimon’s Big Pay Raise – and the Minimum Wage
Robert W. Creamer, Huffington Post, 2/1/14
“Last week JPMorgan Chase’s Board approved a 74% pay raise for its CEO Jamie Dimon for 2013 – a year when JPMorgan barely escaped a criminal penalty and paid $20 billion in fines and penalties for wrongdoing – much of it on his watch.

“Sometimes we get numb to numbers like $20 million. To put it in perspective, in 2013, Dimon made $9,615 per hour. In other words, he made more in the first two hours of the first workday of the year, than a minimum wage worker made all year long.

“There has been much debate about whether Dimon deserved his big increase in a year that the bank paid so much in fines, and narrowly avoided criminal prosecution… But the real scandal is the fact that for more than 30 years, a tiny slice of Americans have rigged the rules of the economic game so they could siphon off all of the more than 80 percent increase in our per capita gross domestic product.”
A New Way to Rein In Fat Cats
Douglas K. Smith, NY Times, 2/3/14

HIGH-SPEED TRADING

Speed Traders Get an Edge
Scott Patterson, Wall St. Journal, 2/6/14
“High-frequency traders have been paying to get direct access to market-moving news releases, a practice that can give firms the ability to trade fractions of a second ahead of less fleet-footed investors.

“The traders are getting news releases from Business Wire, which distributes corporate-earnings releases and economic reports such as the Philadelphia Federal Reserve's monthly manufacturing survey, and from Marketwired, a Toronto company that distributes earnings releases and the ADP monthly employment report.”

INVESTOR PROTECTION

Chamber White Paper Questions Value of Securities Class Actions
Bloomberg BNA, 2/5/14

MORTGAGES, FORECLOSURES & HOUSING MARKET

Regulator Halts Ocwen-Wells Fargo Mortgage-Servicing Deal
Shayndi Raice, Wall St. Journal, 2/6/14
“A New York state regulator has halted indefinitely a $2.7 billion deal by Ocwen Financial Corp. to purchase mortgage-servicing rights from Wells Fargo, the mortgage servicer said Thursday.

“The office of Benjamin Lawsky, the superintendent of New York's Department of Financial Services, has concerns over the mortgage servicer's ability to handle more loans, said a person familiar with the decision. The deal, which was announced last month, would have given Ocwen the right to service approximately $39 billion worth of loans.”

State Regulator Halts Deal Between Wells Fargo and Loan Servicer
Michael Corkery, NY Times, 2/6/14

Think the Mortgage Industry has Cleaned Up Its Act? Think Again.
David Sanchez, ThinkProgress, 2/4/14
“Last week, the Consumer Financial Protection Bureau (CFPB) released a report detailing abuses by mortgage servicers. Despite numerous legal settlements and pledge after pledge by servicers that they follow the law, the report exposes the many ways these companies have continued to do wrong by consumers, making the case for a strong financial regulator to protect consumers from unscrupulous or incompetent financial services firms.

“Mortgage servicers are the companies primarily responsible for collecting mortgage payments from borrowers and forwarding them on to the lender or, if the loan is securitized, the investors. They are also the companies in charge of foreclosing on homes or helping troubled borrowers
modify their loans to avoid foreclosure. Since the start of our housing crisis, servicers have become notorious for their failure to perform even routine administrative tasks competently as well as for forging paperwork and foreclosing on borrowers even when modifying their loan would have returned more value to the loan’s owner.”

**How GSE Profits Affect the Housing Finance Reform Debate**
Victoria Finkle, American Banker, 1/31/14
“There’s an elephant in the room amidst discussions on how to unwind Fannie Mae and Freddie Mac — the two government-sponsored enterprises are now making money hand over fist. The entities rebounded to profitability roughly two years ago, after being put in conservatorship in September 2008 near the start of the financial crisis. Indeed, the GSEs are coming close to having sent back funds equal to the amount of government aid they received.

“Their income is complicating the debate over housing finance reform and even raising fresh questions about whether they should be dismantled at all…”

**Fannie Mae Fix Fades as Senate Democrats Split on Plan**
Clea Benson and Cheyenne Hopkins, Bloomberg, 2/3/14
“…This year’s window for a housing overhaul is closing as the leaders of the Senate Banking Committee -- Chairman Tim Johnson, a South Dakota Democrat, and Mike Crapo of Idaho, the ranking Republican -- work to complete a bill before members are distracted by the midterm elections.

“The panel’s Democrats remain at odds. Elizabeth Warren of Massachusetts and Sherrod Brown of Ohio have said they won’t back a plan unless it guarantees affordable loans for most buyers. Senator Mark Warner, a Virginia Democrat, said expanding the bill’s scope too much could undermine bipartisan support.”

**Groundbreaking New Mortgage Rules Are Here**
Rebecca Thiess, US News, 2/6/14
“At the beginning of 2009, the U.S. economy was in the grip of one of the worst financial crises in our history. Home lending practices, which played a big part in that crisis, naturally assumed a prominent place on the agenda of financial reform. And now, five years later, groundbreaking new mortgage-lending rules have gone into effect, thanks to the diligent work of the Consumer Financial Protection Bureau.

“To understand the new rules, it is useful to recall what they were designed to prevent – the kind of abusive loans and loan-marketing tactics that dominated the market in the pre-crisis years, leaving a trail of devastation from which homeowners, communities and the country are still struggling to recover…”

**Banks Announce Tougher Background Checks on Foreclosure Contractors**
Mike Wheatley, Realty Biz News, 2/4/14

**Fast Track Foreclosure Laws: Are They Headed in the Right Direction?**
Geoffrey Walsh, National Consumer Law Center, January 2014

**JPMorgan Wins Dismissal of $200 Million Mortgage-Securities Suit**
Patricia Hurtado, Bloomberg, 2/6/14
REVOLVING DOOR

Maintaining Ethics in the Move From Regulator to Regulated
Jesse Eisinger, NY Times, 2/5/14

“Sheila Bair took a banking job last week — an occasion for breaking out the axes and giving them a good grinding. Ms. Bair, who served under Presidents Bush and Obama as the head of the Federal Deposit Insurance Corporation, will be a director of the Spanish banking giant Santander. Because Ms. Bair has been a persistent critic of the major banks and had spoken out on the perils of the revolving door, the move prompted a bit of outrage in the financial world.

“Just as Ms. Bair was taking her new job, Mary L. Schapiro, the former chairwoman of the Securities and Exchange Commission, was giving one up. Nine months ago, Ms. Schapiro took a managing director job with the financial services consulting firm Promontory. She has decided to leave that position (although she is staying on the firm’s advisory board).

“Post-regulatory life is perilous, especially if you try to have standards.”

JPMorgan’s Blythe Masters to Join Swaps Regulator Panel
Hugh Son and Silla Brush, Bloomberg, 2/7/14

On Second Thought, JPMorgan Executive Won’t Advise Commodities Regulator
Nick Summers, Bloomberg, 2/7/14

Blythe Masters of JPMorgan Is Said to Decline Advisory Post
William Alden, NY Times, 2/7/14

SYSTEMIC RISK

Lawmakers Criticize Regulators’ Coordination on Volcker Rule
Cheyenne Hopkins & Jesse Hamilton, Bloomberg, 2/5/14

“U.S. lawmakers said the formation of a coordinating panel by five financial regulators won’t do enough to avoid uneven implementation of Volcker Rule curbs on banks’ trading strategies. The criticism by both Republican and Democratic lawmakers at a House Financial Services Committee hearing came as top officials from the Federal Reserve, Federal Deposit Insurance Corp. and three other agencies outlined plans for the interagency group in statements for the committee.

“We don’t think you can have five sheets of music because if the rules are interpreted differently, I think that’s a real problem,” said Representative Edward Royce, a Republican from California. ‘Setting up a working group and extending the conformance period clearly does not solve the coordination concerns.’”
Will the Volcker Rule Help Small Business Lending?
Karen E. Klein, Bloomberg, 1/31/14

“Small business owners occupied with holiday sales and closing out their 2013 books likely missed the December news about the approval of the Volcker Rule. Banking regulations are pretty dry, after all, and there’s no bright line connecting this one to the concerns of the average nail salon or Internet retailer.

“But even though it didn’t make big news in entrepreneurial circles, this rule could have an outsized impact on small businesses. That’s because it may prod banks back into the traditional lending arena that many of them largely abandoned more than a decade ago. And if more small business owners can get relatively low-interest bank loans—rather than relying on the high-cost alternative lenders that have sprung up to meet demand—that could free up capital that would allow them to hire and expand their companies.”

Regulators Pledge Higher Leverage Standards for Largest Banks
Cheyenne Hopkins and Jesse Hamilton, Bloomberg, 2/6/14

OTHER TOPICS

Banks Don’t Do Much Banking Anymore—and That’s a Serious Problem
David Dayen, Pacific Standard, 2/3/14

“[M]odern societies need banking. In the truest form, banks take savings deposits and, rather than hiding that money in vaults, lend it out for productive purposes… Some U.S. banks, especially at the community level, still employ this basic model today… But our biggest, Wall Street-centered banks—the ones who hold the majority of the nation’s deposits, slowly consolidating the banking system and growing ever larger—don’t do a whole lot of banking anymore…

“'The New Deal framework aligned every financial activity, including who you lend to, with a specific regulator who knew that business,’ says Marcus Stanley of the coalition Americans for Financial Reform. 'Each regulator had government controls or a backstop meant to keep it secure.' When that broke down with deregulation, you get the situation we have today, where practically anybody can become a financial intermediary. 'It creates this endlessly powerful, endlessly morphing thing where the market flows to wherever regulatory controls are weakest,’ Stanley says.”

Is a Global Treaty Needed for Big Bank Cleanups?
Joe Adler, American Banker, 1/30/14

“U.S. regulators have made significant progress in reaching agreements with their foreign counterparts on cross-border resolution schemes for big banks, but some experts argue they need a much more powerful tool at their disposal for those efforts to really work.

“How countries cooperate to resolve globally active firms is one of the biggest questions facing resolution regimes created to ensure the end of "too big to fail." In the U.S., the Federal Deposit Insurance Corp. has signed memorandums of understanding with foreign jurisdictions and has also developed a wind-down strategy that is designed in part to avoid cross-border disputes.

But while the FDIC and foreign regulators have gained praise for their coordination, some worry that cross-border cooperation could break down in a future emergency without a more formal
set of agreements. They are calling for a more binding agreement — a formal treaty between the U.S. and other countries…”

Dodd-Frank Fail
John Schoen, CNBC, 2/4/14
“More than three years ago, Congress passed the sweeping, 850-page Dodd-Frank overhaul of the rule book that bankers, brokers and the rest of the financial services industry is supposed to play by. But to date, only about half of those new rules have been completed by the dozen or so agencies in charge of writing and enforcing them. About a quarter of the rules haven’t even been proposed.

“Of the 12 key areas tracked by the law firm Davis Polk (pdf), which advises clients on how to navigate the new rules, progress has been slowest in regulating mortgages (only 15 of 49 have been written); asset-backed securities (two of 14 rules are done); derivatives (49 out of 90) and rules governing "systemic risk" (10 of 28) – the category that includes measures designed to prevent another Too Big To Fail bank from driving the global financial system off a cliff.”

How Ben Horowitz Avoided an Options Backdating Scandal
William Alden, NY Times, 2/6/14

Key Player in $850M Ponzi Scheme Pleads Guilty
Mitch Weiss, Associated Press, 2/5/14

Henry Paulson, ‘Mr. Bailout,’ Fears a New Finance Crisis is Brewing
Patrice Hill, Washington Times, 2/4/14

Ponzi Scams at `Unprecedented' Level, Chilton Says
Bloomberg Video 2/4/14

Whitehouse Talking to OMB and OIRA about Combating ‘Regulatory Capture’
Bloomberg BNA (paywalled), 2/7/14

Bernanke Joins Brookings
Zachary Warmbrot, Politico, 2/3/14