THIS WEEK IN WALL STREET REFORM

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Big Picture

Is Dodd-Frank the Original 'Jobs Bill'?
Ben Protess (DealBook/NYT)
September 9, 2011

"It's a familiar cry from Wall Street executives and Congressional Republicans: New regulations will dampen profits and crimp an already-feeble job market. But some federal regulators, now charged with writing dozens of new rules for Wall Street, beg to differ. Bart Chilton, a Democratic member of the Commodity Futures Trading Commission, argues that a regulatory shake-up would actually spawn a wave of hiring on Wall Street and in Washington. 'The possibilities for economic growth and competition here are mind-boggling,' Mr. Chilton said on Friday during a speech at the University of Maryland." Click here for more.

Poll: 72% See U.S. Economy on Wrong Course
Mike Dorning (Bloomberg)
September 14, 2011

"Americans' pessimism about the economy has deepened and confidence in both political parties has fallen with only 20 percent saying the country is on the right course even as they remain divided over solutions. Just 9 percent of people say they are confident the economy won't slide back into recession, in a Bloomberg National Poll. A majority says it will take at least six more years for home values in their community to recover to pre-recession levels." Click here for more.

World economy in danger zone: Zoellick
Lesley Wroughton (Reuters)
September 15, 2011

"World Bank President Robert Zoellick said on Wednesday the world had entered a new economic danger zone and Europe, Japan and the United States all needed to make hard decisions to avoid dragging down the global economy. 'Unless Europe, Japan, and the United states can also face up to responsibilities they will drag down not only themselves, but the global economy,' Zoellick said in speech at George Washington University." Click here for more.

Click here to read the full speech.

Banks Brace for a Season of Fall-Offs
Eric Dash (NYT)
September 13, 2011

"The worries of Wall Street banks keep growing. As if the troubles in Europe were not enough, two months of the most turbulent markets in decades are expected to seriously damp trading results for the nation's largest banks. In a bellwether for other large financial firms, JPMorgan Chase warned that third-quarter trading revenue was likely to fall about 8 percent from a year ago. Investment banking income is also expected to drop by one-third from a year earlier, as corporations get cold feet about acquisitions as well as stock and debt offerings." Click here for more.

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CFPB and Consumer Issues

Date Says Consumer Bureau May Find Need for Overdraft Rules
Carter Dougherty (Bloomberg)
September 15, 2011

"The Consumer Financial Protection Bureau is considering whether additional supervision or regulation might eventually be needed on bank overdraft programs to ensure rules are being applied 'in an even-handed way,' said Raj Date, the adviser running the new agency. U.S. regulators including the Federal Reserve have imposed rules on overdraft programs, and that may lead to inconsistent supervision of different kinds of financial institutions, Date said today in a Philadelphia speech." Click here for more.

CFPB launches fourth round of mortgage disclosure form testing
Kerri Panchuk (Housing Wire)
September 12, 2011

*"The **Consumer Financial Protection Bureau** launched a fourth round of testing Monday as the agency collects feedback about sample mortgage disclosure forms that will help the agency construct standard uniform lending documents for the industry. The CFPB's 'Know Before You Owe' campaign posted identical mortgage forms online this week with different loan products printed on each form for the purpose of testing how well the disclosure documents communicate differences between loan products printed on the same form." Click here for more.*

Click here to learn more about "Know Before You Owe."

Why Bankers May Regret Elizabeth Warren Isn't Running the CFPB
Martha C. White (Time Moneyland)
September 16, 2011

"Elizabeth Warren announced plans to run for Senate in Massachusetts next year, moving from one politically charged battle of wills to … another contentious tangle with the GOP. …As head of the CFPB, Warren would have had oversight over not only banks, but credit bureaus, mortgage companies, payday lenders and a host of other providers of sometimes-predatory financial products to consumers. Unlike existing agencies like the FTC, which has to wait for consumer complaints to trickle in before it can launch an investigation, the CFPB is designed to proactively investigate companies or practices and work on rules designed to keep citizens from being taken advantage of by companies offering usurious loans, deliberately misleading contracts and the like. That's a lot of power — too much power, according to GOP lawmakers — but in the end, Warren could wind up wielding a much bigger stick as a senator than she ever could have as an agency director." Click here for more.

Rich Cordray Nomination

Op –ed - Confirm Cordray to protect consumers
Bill Faith - executive director of the Columbus-based Coalition on Homelessness and Housing in Ohio. (Toledo Blade op-ed)
September 11, 2011

"Americans should be safe to secure our financial futures and those of our children. Like our nation's schools, streets, and airwaves, our financial landscape must remain free of predators and bandits. The Senate can help ensure that outcome by confirming President Obama's nomination of former Ohio Attorney General Richard Cordray to head the new Consumer Financial Protection Bureau. Congress created the bureau last year to protect consumer interests in the financial services industry. The failure of bank regulators to stop predatory mortgage lending and other reckless Wall Street practices helped bring on the 2008 mortgage meltdown — and with it, the recession." Click here for more.

CFPB Chief Richard Cordray's Confirmation in Jeopardy
Jenna Greene (The National Law Journal)
September 13, 2011

"Richard Cordray has been called many things in recent weeks. Political pawn. Brilliant advocate. Anti-business zealot. Devoted public servant. Whether he'll ever be called director of the new Consumer Financial Protection Bureau is another matter. Nominated by President Obama to head the CFPB in July, Cordray, 52, had his first confirmation hearing before the Senate Committee on Banking, Housing and Urban Affairs last week. Confirmation fights in Washington are nothing new, but this one is different. A quirk — some would call it a mistake — in the Dodd-Frank financial reform act that created the agency bars it from exercising many of its powers until it has a director in place, effectively muzzling the would-be consumer watchdog in the meantime. It's a dynamic that gives Republicans opposed to the agency's existence in the first place little incentive to move a nomination through Congress." Click here for more.

Consumer protectors foiled by politics
Paul Muschick (The Watchdog, The Morning Call – Allentown, PA)
September 10, 2011

"A new federal agency is on the job to protect consumers from confusing and unscrupulous financial businesses, but as is sadly typical in government, its effectiveness is being limited by politics. The Consumer Financial Protection Bureau was created to centralize consumer protection efforts that had been spread across multiple agencies with debatable success. The bureau, which officially opened in July, also can regulate financial sectors that haven't been subject to routine oversight." Click here for more.

GOP giving consumers' needs short shrift
David Lazarus
September 9, 2011

"You can almost understand Republican lawmakers standing firm on matters of economic stimulus and debt reduction. Whether or not you agree with their positions, at least it can be argued that they're guided by good-old-fashioned conservative ideology. But when it comes to consumer protection, the Republicans are merely pandering to their deep-pocketed corporate cronies and opposing anything President Obama supports, no matter how reasonable or meritorious it may be. This week's confirmation hearing for Richard Cordray as head of the Consumer Financial Protection Bureau made clear that the GOP won't help beleaguered consumers until it's ensured that the new watchdog agency is more bark than bite." Click here for more.

The Greenlining Institute - Congress Takes a Stand -- For Wall Street
Preeti Vissa (The Greenlining Institute)
September 14, 2011

"Anyone wondering why Congress has approval ratings that hover somewhere between cockroaches and the bubonic plague might want to check out the Sept. 6 Senate Banking Committee hearing on the nomination of former Ohio Attorney General Richard Cordray to head the new Consumer Financial Protection Bureau. This is really, really important stuff, and it got mostly lost in the shuffle as the media focused on the president's jobs speech and the 10th anniversary of 9/11." Click here for more.

Consumers Be Damned: Senator Shelby, Captain Queeg and the Politics of No
Adam Levin (Credit.com)
September 15, 2011

"Last week's Senate Banking Committee hearing on the nomination of Richard Cordray to lead the Consumer Financial Protection Bureau featured prepared speeches that were utterly without sound and fury but still managed to do a huge disservice to American consumers. It felt like a really bad Capitol Hill reality show, devoid of all emotion, featuring actors who made Snookie and the Situation seem like "clean" coal shills at a global warming conference." Click here for more.

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Shadow Markets and Systemic Risk

Senate panel keeps budget boosts for SEC, CFTC
Christopher Doering and Sarah N. Lynch (Reuters)
September 15, 2011

"Securities and futures regulators will see large budget increases to help them implement sweeping new financial regulations under a bill approved by the Senate Appropriations Committee on Thursday. The plan, which will now go to the full U.S. Senate for a vote, would give the Securities and Exchange Commission a fiscal 2012 budget of $1.407 billion, an increase of roughly 19 percent from its current fiscal 2011 budget of $1.185 billion." Click here for more.

Click here to view AFR's press statement and **click here** to view our letter to Senators.

Excerpt:

> *"[W]e applaud the fact that the FY 2012 appropriations bill passed by the Senate Appropriations Committee allocates the Securities and Exchange Commission the full $1.4 billion requested in the President's 2012 budget. We also appreciate the funding increase to the Commodity Futures Trading Commission (CFTC) over its 2011 budget. However, we remain deeply concerned that the $240 million allocated to the CFTC falls more than 20 percent short of the President's request of $308 million for the agency."*

Swap Lobbyists Pushing SEC Version of Trading Rules Over CFTC
Jesse Hamilton and Silla Brush (Bloomberg)
September 9, 2011

*"In a match made in Congress, the Securities and Exchange Commission and Commodity Futures Trading Commission are supposed to work in tandem to oversee the $601 trillion swaps market. Now financial companies may be stoking differences between the two in a quest for favorable treatment. Firms including BlackRock Inc., the world's largest asset manager, have praised the SEC's approach to a rule meant to curb abuses by swap dealers selling to less sophisticated investors including pension funds, endowments and local governments. Lawmakers told regulators to write the rule after swaps pushed Jefferson County, Alabama, to the brink of bankruptcy….The SEC version would allow so-called independent representatives to the investors to be 'entirely financially beholden' to swaps dealers because the definition of independence is weaker than the CFTC¹s approach, said **Barbara Roper**, director of investor protection for the **Consumer Federation of America**. Under the SEC proposal, an adviser would be considered independent if it didn't receive more than 10 percent of gross revenue from the special entity in the previous year. The CFTC proposal would consider dealers to be independent if they don't have 'material business relationships' with special entities. Consumer advocates said the ability to avoid adviser status is a loophole that could allow dealers to dodge extra responsibility in every transaction. 'Inevitably, the commission's weaker proposal will be used as leverage by those attempting to undermine the CFTC effort,' representatives of the **Consumer Federation of America** and **Americans for Financial Reform** wrote in an Aug. 29 letter to the SEC. 'The commission has issued precisely the sort of timid, industry-friendly rules that landed us in the financial crisis.' The letter said the CFTC should 'under no circumstances' bow to the SEC's version."*

Fed Scrutinizes Capital One-ING Deal
Victoria McGrane and Maya Jackson Randall (WSJ – subscription required)
September 12, 2011

*"The Federal Reserve asked Capital One Financial Corp. to respond to questions that appear aimed at determining whether the proposed acquisition of ING Groep NV's U.S. online-banking business would create a bank so large and complex that its failure would pose a risk to the financial system. Capital One, the ninth-largest bank in the U.S. by deposits, was pressed by the Fed in an Aug. 29 letter for details about 'the nature and dollar volume' of financial activities in which both companies are involved. …also listed various financial markets that were troubled during the financial crisis, such as commercial paper, mortgage-backed securities, lending to foreign institutions through foreign-exchange swaps and derivatives trading. … Some consumer groups and critics of large banks claim the Capital One-ING Direct deal would create the same type of sprawling, intertwined, excessively risky megabank discouraged by the Dodd-Frank law. … 'In the past, there was this carte blanche adherence to the notion that bigger is better,' said **John Taylor**, president of the **National Community Reinvestment Coalition**." Click here for more.* Click here to view full letter.

AARP - Protecting Investors—Establishing the SEC Fiduciary Duty Standard
Mercer Bullard, Associate Professor, University of Mississippi School of Law (AARP Public Policy Institute)
September 14, 2011

"Many broker-dealers are not subject to a fiduciary duty when they provide personalized investment advice to their clients. Broker-dealers regularly provide investment advice, but not all of these broker-dealers are subject to the federal fiduciary duty that applies under the Investment Advisers Act of 1940. This anomaly has led to calls to regulate broker-dealers under the Advisers Act, or at least to impose a fiduciary duty on broker-dealers when they provide investment advice. Historically, the brokerage industry has opposed imposing a fiduciary duty on broker-dealers that are not subject to the act." Click here for more.

Wall Street Self-Regulator Makes Case for More Power
Ben Protess (DealBook/NYT)
September 13, 2011

*"Wall Street's self-regulator is stepping up its bid for more power, telling Congress on Tuesday that it is well equipped to replace the Securities and Exchange Commission as overseer of the investment advisory industry. …The hearing coincides with the committee's recent introduction of draft legislation that would authorize self-regulatory groups like the Financial Industry Regulatory Authority to examine investment advisers. …On Tuesday, the Financial Industry Regulatory Authority's bid found support from an unlikely corner: the **Consumer Federation of America**. **Barbara Roper**, director of investor protection for the consumer group and a longtime critic of self-regulatory organizations, would prefer for Congress to increase the S.E.C.'s funding. But the S.E.C., while receiving a modest funding increase this year, still cannot keep pace with the growing industry. 'Having spent the better part of two decades arguing for various approaches to increase S.E.C. resources for investment adviser oversight with nothing to show for our efforts, we have been forced to reassess our opposition to' to groups like the Financial Industry Regulatory Authority. She said the federation had concluded that self-regulatory oversight 'would be a significant improvement over the status quo.'" Click here for more.*

Click here to view/read testimony from the hearing.

US SEC's Schapiro to fend off Republican criticism
Sarah N. Lynch (Reuters)
September 15, 2011

"Republican proposals to restructure the U.S. Securities and Exchange Commission and change its rulemaking standards could threaten the agency's mission to protect investors, its chairman will tell lawmakers on Thursday. In prepared testimony before the House Financial Services Committee, SEC Chairman Mary Schapiro plans to point out major flaws in legislative proposals by two key Republicans on the panel, including its chairman." Click here for more.

Click here to view/read testimony from the hearing.

SEC officials 'lawyering up'
David S. Hilzenrath (WP)
September 14, 2011

"Under intense scrutiny from congressional critics and a probing inspector general, current and former Securities and Exchange Commission officials have been lawyering up, sometimes at their own expense. The practice reflects the highly charged atmosphere at the SEC and one of the costs of government service when investigations can put careers, reputations and more on the line." Click here for more.

POGO - Industry Self-Regulation Is No Substitute for SEC Oversight
Michael Smallberg (POGO)
September 13, 2011

"The ongoing economic crisis in the U.S. has made it painfully clear that we can't trust the financial industry to regulate itself. Yet that is exactly what House Financial Services Committee Chairman Spencer Bachus (R-AL) has proposed in recently released draft legislation that would delegate significant government oversight authority to an industry-funded self-regulatory organization (SRO) for investment advisers—individuals and firms who advise clients how to save for their retirement, their children's education, and other long-term investment goals. This morning, the House Financial Services Subcommittee on Capital Markets and Government Sponsored Enterprises held a hearing to discuss Chairman Bachus's legislation and other proposals to improve oversight of the investment adviser industry. POGO sent a letter to the subcommittee arguing that industry self-regulation is not the answer." Click here for more.

Exclusive: CFTC insiders blow whistle on position limit rule
Sarah N. Lynch (Reuters)
September 15, 2011

"Internal strife at the Commodity Futures Trading Commission over how to craft a workable rule to crack down on speculation in oil markets has prompted two internal whistleblowers to ask the agency's inspector general to step in. The whistleblowers say the CFTC team working on the politically charged 'position limits'

rule has suffered staffing setbacks. It has also struggled to harmonize the proposal with another rule, potentially forcing commissioners to vote in coming weeks on a doomed-to-fail measure." Click here for more.

Questions Arise About UBS Risk Controls
Alistair MacDonald and Deborah Ball (WSJ – subscription required)
September 16, 2011

*"Risk-management and control specialists are again questioning the banking industry's ability to manage risks and regulator's efforts to police the sector after a UBS AG trader lost about $2 billion in unauthorized trades. …The UBS trader's bets were from one of the bank's proprietary trading desks, and the lender's failure to catch his actions could become a rallying cry in the U.S. for tighter regulation of bank-trading operations. A part of the Dodd-Frank financial-overhaul act called the Volcker rule limits banks' ability to trade for their own profit. 'The largest banks have grown so big and so complex that even their own management cannot fully understand or control the risks they take,' said the consumer advocacy group **Americans for Financial Reform**, in a statement Thursday. The exact rules guiding banks' proprietary trading haven't been finalized, but they are expected to allow regulators more frequent insight and transparency into banks' trading operations and positions." Click here for more.*

Delta One Desks Are Big Moneymakers
Susanne Craig and Azam Ahmed (DealBook/NYT)
September 15, 2011

*"The $2 billion trading loss that has rocked the Swiss banking giant UBS has also cast a spotlight on a relatively unknown but increasingly profitable corner of Wall Street — Delta One desks. Both Kweku Adoboli, the UBS trader in London arrested on Thursday in connection with the loss, and Jérôme Kerviel, the Société Générale trader who was responsible for $6.8 billion in losses in 2008, worked on such desks. … Whatever the cause, the UBS trading losses are likely to rekindle the debate over proprietary trading, which has drawn increasing scrutiny from regulators since the financial crisis. The so-called Volcker rule, under the Dodd-Frank overhaul of financial regulation, would prohibit such trading, although the details of the rule are still being written. …On Thursday, advocates for the Volcker rule used the UBS trading loss to highlight the need for increased regulation. A statement from **Americans for Financial Reform** said the incident 'once again highlights a central problem with our financial system — that the largest banks have grown so big and so complex that even their own management cannot fully understand or control the risks they take.' The statement further noted: 'Stories of rogue traders point to a larger problem which must be addressed with these kinds of structural changes,' like the Volcker rule. Click here for more.*

Global Standards Sought on Rules
Victoria McGrane (WSJ – subscription required)
September 16, 2011

*"Treasury Secretary Timothy Geithner in a letter Wednesday assured Congress that the Obama administration and federal regulators are working with their international counterparts to see they adopt similar rules requiring market participants to back their over-the-counter derivatives trades with cash. 'Just as we have global minimum standards for bank capital—expressed through international agreement—we need global minimum standards for margin on uncleared over-the-counter derivatives,' Mr. Geithner said. … Bank critics support efforts to apply the rules to overseas subsidiaries. They say that, since the U.S.-based parent of these complex global banks is ultimately responsible for the losses of its many far-flung subsidiaries, the transactions of those foreign affiliates affect U.S. commerce. 'To say that we're going to...exempt your thousands of majority-owned subsidiaries from all the U.S. [derivatives rules], it would be a very serious loophole in the system,' said Marcus Stanley, policy director of **Americans for Financial Reform**, a group that advocates tougher financial regulation. U.S. bank regulators are optimistic an international deal can be reached on margin requirements, according to a person familiar with the matter." Click here for more.*

Geithner urges unity in tackling euro zone crisis
Robin Emmott (Reuters - Poland)
September 16, 2011

"The world will not see the kind of coordinated response policymakers organized during the global financial crisis in 2009 but the United States and the European Union must work closely together to overcome the current economic challenges, Treasury Secretary Timothy Geithner said on Friday." [Click here for more.]

JPMorgan chief says bank rules 'anti-US'
Tom Braithwaite in New York and Patrick Jenkins in London (FT – registration required)
September 12, 2011

"New international bank capital rules are "anti-American" and the US should consider pulling out of the Basel group of global regulators, Jamie Dimon, chief executive of JPMorgan Chase, has said. In an interview with the Financial Times, Mr Dimon said he was supportive of forcing banks to have more capital but argued that moves to impose an additional charge on the largest global banks went too far, particularly for American banks." [Click here for more.]

<u>Commodity Speculation</u>

Sen. Sanders Op-ed - What Wall Street doesn't want us to know about oil prices
Bernie Sanders (WP)
September 15, 2011

"The top six financial institutions in this country own [assets equal to more than 60 percent of our gross domestic product] and possess enormous economic and political power. One of the great questions of our time is whether the American people, through Congress, will control the greed, recklessness and illegal behavior on Wall Street, or whether Wall Street will continue to wreak havoc on our economy and the lives of working families." [Click here for more.]

Commodities speculation debate heats up
Javier Blas in London (FT)
September 14, 2011

"The Commodity Futures Trading Commission – the US regulator – recently organised a conference to discuss new academic research, including a high profile paper by Stanford University's Kenneth Singleton that largely blamed speculators for the rise in prices." [Click here for more.]

IIF warns G-20 about curbing commodity derivatives
Tom Barkley (MarketWatch)
September 12, 2011

"The Institute of International Finance urged Group of 20 nations Monday not to impose regulatory constraints on trading in commodity market derivatives, warning they could hurt liquidity and distort markets. Pushing back against French President Nicolas Sarkozy's effort to tackle high commodity prices by clamping down on speculation during his leadership of the G-20, the global banking group issued a report finding no "clear causal link between financial investment and commodity prices." [Click here for more.]

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Foreclosures and Housing

One Obstacle to Obama's New Plan to Help Homeowners: A Gov't Regulator
Paul Kiel (ProPublica)
September 9, 2011

"If you weren't listening closely to [President Obama's speech] [1] last night, you might have missed his new plan to help millions of homeowners. Here it is, in its entirety: 'We're going to work with federal housing agencies to help more people refinance their mortgages at interest rates that are now near 4 percent….

That's a step that can put more than $2,000 a year in a family's pocket, and give a lift to an economy still burdened by the drop in housing prices.' Why so brief and vague? Perhaps because there are obstacles making it doubtful such a plan will ever get off the ground, let alone make a major impact. To understand why, you have to look at why the administration's big refinancing plan, started two years ago, has helped only a small fraction of the homeowners it was designed to help. This is the plan Obama is proposing to fix, but it depends on getting a green light from a key regulator, which may not happen." Click here for more.

Job-creation plan largely ignores housing woes
Don Lee (Los Angeles Times)
September 11, 2011

"President Obama's new jobs-creation plan all but ignores what many economists see as the single biggest problem in the stalling economy: the continuing depression in the housing market. Home sales, prices and construction have been bad and have been getting worse for so long that Washington and many Americans have grown numb to the problem. But dig below the surface and housing turns out to be a root cause of many of the other problems that are getting more attention — including the high level of unemployment that Obama focused on in his speech Thursday to Congress. 'That's probably the biggest missing ingredient here,' economist Mark Zandi said after reviewing Obama's proposed $447-billion package of tax cuts and infrastructure spending. "Click here for more.

US banks offered deal over lawsuits
Shahien Nasiripour in New York (FT – registration required)
September 5, 2011

"Big US banks in talks with state prosecutors to settle claims of improper mortgage practices have been offered a deal that is proposed to limit part of their legal liability in return for a multibillion dollar payment. The talks aim to settle allegations that banks including Bank of America, JPMorgan Chase, Wells Fargo, Citigroup and Ally Financial seized the homes of delinquent borrowers and broke state laws by employing so-called 'robosigners', workers who signed off on foreclosure documents en masse without reviewing the paperwork." Click here for more.

Mortgage-Default Filings Surge 33% in U.S.
Dan Levy
September 15, 2011

"Default notices sent to delinquent U.S. homeowners surged 33 percent in August from the previous month, a sign that lenders are speeding up the foreclosure process after almost a year of delays, RealtyTrac Inc. said. First-time default notices were filed on 78,880 properties, the most in nine months, the Irvine, California-based data seller said today in a report. Total foreclosure filings, which also include auction and home-seizure notices, increased 7 percent from a four-year low in July to 228,098. One in 570 homes received a notice during August." Click here for more.

Banks Took $6B in Reinsurance Kickbacks, Investigators Say
Jeff Horwitz (American Banker – subscription required)
September 6, 2011

"Many of the country's largest banks received $6 billion in kickbacks from mortgage insurers over the course of a decade, according to a previously undisclosed investigation by the Inspector General of the Department of Housing and Urban Development. The allegations, since referred to the Department of Justice, stem from lenders' demand that insurers cut them in on the lucrative business of insuring the mortgages they produced during the housing boom. In exchange for the their business, companies such as Citigroup Inc, Wells Fargo & Co, SunTrust Banks Inc. and Countrywide allegedly required reinsurance partnerships on generous terms that violated the Real Estate Settlement Procedures Act, a 1974 law prohibiting abusive home sales practices." Click here for more.

Mortgage industry whistleblower wins case against Bank of America
Michael Hudson (iWatchNews)
September 14, 2011

"A high-level executive who reported corrupt lending practices at Countrywide Financial Corp. was improperly fired for leading internal investigations that "revealed widespread and pervasive wire, mail and

bank fraud" at the lender, a federal agency ruled Wednesday. The Labor Department ordered Bank of America Corp., which bought Countrywide, to pay the former executive roughly $930,000 and reinstate her. Eileen Foster, who worked as a vice president at Countrywide and then at Bank of America after it acquired Countrywide in 2008, claimed that high-level executives at Countrywide covered up fraud within the company. She said whistleblowers who tried to report forged documents, faked data and other questionable activity inside the nation's largest mortgage lender were fired. Click here for more." Click here for more.

Obama Re-Election Threat Spurs Search for New Ideas on Housing
Lorraine Woellert (Bloomberg)
September 2, 2011

"President Barack Obama and his aides are increasingly worried that the ongoing housing crisis is undermining an economic recovery and could become an obstacle to his re-election. The challenge is particularly acute in a handful of states still reeling from foreclosures and declining property values. Voters in those swing states -- including Florida, Ohio and Nevada -- could decide whether Obama is re-elected." Click here for more.

CBO casts doubt on mortgage refinancing plan
Shahien Nasiripour in New York (FT – registration required)
September 8, 2011

"A US initiative to refinance loans held by millions of homeowners with new government-backed mortgages at current rock-bottom interest rates would saddle private investors with twice as much in losses as borrowers would get in payment relief, researchers at the Congressional Budget Office have found. The working paper considers a one-year model plan in which homeowners who are up-to-date on their loan payments could refinance into fixed 30-year mortgages backed by Fannie Mae, Freddie Mac or the Federal Housing Administration. Some 2.9m mortgages worth $428bn would be refinanced, saving borrowers $7.4bn from lower payments and averting 111,000 defaults at a cost of about $600m to the US government, the CBO said." Click here for more.

Editorial - Refinancing a bubble
LA Times Editorial
September 14, 2011

"Rock-bottom mortgage interest rates offer borrowers the opportunity to free up a significant amount of cash by refinancing their loans and lowering their monthly payments. Unfortunately, that option isn't available to millions of borrowers because plummeting property values have left them owing more than their homes are worth, rendering them ineligible for a better loan. Others are trapped by poor credit ratings or restrictions imposed by their second mortgages. The Obama administration, which has tried without much success to help some of these borrowers refinance, is looking for ways to enable more of them to do so. There are trade-offs, but it's an effort worth making." Click here for more.

Click here *to view AFR's press statement after the President's speech to the joint session of Congress.*

Excerpt:

> *"The unresolved housing crisis – including the millions of families facing foreclosure, and the millions who owe much more than their homes are worth – remain another persistent drag on the economy. We support ways to make it easier for families to refinance, but we continue to believe that much more needs to be done. The country needs large-scale mortgage modifications, including deep principal reductions, to resolve the problem, and to help spur consumer demand."*

U.S. lawmakers debate housing finance reform
Margaret Chadbourn (Reuters)
September 14, 2011

"Top Senate lawmakers on Tuesday laid bare long-standing differences on how to wind down government-sponsored mortgage enterprises Fannie Mae (FNMA.OB) and Freddie Mac (FMCC.OB), underscoring the difficulty Congress will face in revamping the U.S. housing finance system. Democrats and Republicans alike agree both entities should be wound down but whether the government should still have a role subsidizing housing finance is still unsettled." Click here for more.

Minnesota AG Swanson Backs Schneiderman: No Settlement With the Banks Without Investigation
David Dayen (Firedoglake.com)
September 13, 2011

"Minnesota Attorney General Lori Swanson has released a letter that opposes giving a broad release to banks on foreclosure fraud in exchange for a quick settlement. In the letter, Swanson writes that 'the banks should not be released from liability for conduct that has not been investigated and is not appropriately remedied in any settlement.' Specifically, she refers to 'liability for securities claims or conduct arising out of the securitization of mortgages or liability arising out of the use of the Mortgage Electronic Registry System ('MERS'), where those claims have not been investigated or fairly addressed through the settlement.' She adds that bank officers should not be released from criminal liability in a civil settlement." Click here for more.

Credit Ratings Agencies

AFR comment to SEC re "Franken Amendment" on Credit Rating Agencies
Click here to view AFR's comment letter to the SEC regarding the study on assigned credit ratings for structured finance products mandated by section 939F (Franken Amendment) of Dodd-Frank. We said it is vitally important that the Commission explore more sweeping reforms designed to directly address the conflicts of interest at the heart of the rating agency business model, as well as the deficiencies in professional standards that have emerged from the ratings agencies incentives to gain business from the issuers who pay them.

Moody's Downgrades Credit Agricole, SocGen Ratings
CNBC.com with Reuters
September 14, 2011

"Moody's Investors Service said on Wednesday that it downgraded the credit ratings of Societe Generale and Credit Agricole, marking the latest in a series of blows to French banks that have recently punished European stocks." Click here for more.

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Executive Compensation

CEO stock options can lead to increased risk taking, finds new study
Neil Schoenherr (Washington University in St. Louis)
September 14, 2011

"A new study by a finance professor at Washington University in St. Louis finds that the amount of stock options in a CEO's compensation package can result in an increase in risk-taking by company leaders. Such a finding seems obvious at first blush, but uncovering clean empirical evidence always has been illusive, says Todd A. Milbourn, PhD, the Hubert C. and Dorothy R. Moog Professor of Finance at Olin Business School." Click here for more.

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Interchange

Visa Hikes Prepaid Interchange But Chops Some Debit Rates
Digital Transactions
September 9, 2011

"Visa Inc.'s interchange schedule set to take effect Oct. 1, the day new federal debit card interchange price controls also become effective, cuts a few rates for non-regulated debit issuers but clearly encourages issuers to pump out more prepaid cards. Visa also is eliminating volume-based tiers for supermarkets and retailers on its signature debit cards and Interlink PIN-based debit cards." Click here for more.

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Student Lending

Student loan default rates jump
Associated Press
September 13, 2011

"The number of borrowers defaulting on federal student loans has jumped sharply, the latest indication that rising college tuition costs, low graduation rates and poor job prospects are getting more and more students over their heads in debt. The national two-year default rate rose to 8.8% among students whose first loan payments were due in fiscal 2009 from 7% for those who began repayments in fiscal 2008, according to figures released Monday by the U.S. Department of Education." Click here for more.

For-profit colleges adopt new self-regulation standards
A. Ananthalakshmi (Reuters)
September 13, 2011

"Career Education Corp, Washington Post Co's Kaplan and several other for-profit college chains have adopted a set of standards to regulate themselves after months of U.S. government scrutiny revealed slack admission policies and huge debt burdens on their students. Most of these standards are based on existing federal and state rules to improve transparency and disclosure. New steps include a free 21-day trial for students before they decide to take up a course with the college." Click here for more.

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FTT

EU to Propose Financial Transaction Tax 'Early October'
Peter Chapman (Bloomberg)
September 16, 2011

"The European Commission said it will 'propose common rules to tax financial transactions in all 27 EU member states,' in 'early October.' 'In the context of the current economic crisis, the three main objectives of the new rules are to assure that the financial sector makes a fair and substantial contribution to public finances to recoup the costs of the crisis,' the commission said in a statement on its website today." Click here for more.

Austria's Fekter says Geithner rejects transaction tax
Reuters
September 16, 2011

"The U.S. Treasury Secretary Timothy Geithner called on euro zone countries to commit money to avoid financial system difficulties but rejected suggestions for a financial transaction tax, Austria's finance minister said on Friday." Click here for more.

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OTHER

Book: Treasury Secretary ignored Obama directive
Anthony McCartney (AP)
September 15, 2011

"A new book offering an insider's account of the White House's response to the financial crisis says that U.S. Treasury Secretary Tim Geithner ignored an order from President Barack Obama calling for reconstruction of major banks. According to Pulitzer Prize-winning author Ron Suskind, the incident is just one of several in which Obama struggled with a divided group of advisers, some of whom he didn't initially consider for their high-profile roles." Click here for more.

White House Rankles Wall Street With Enterprise Value Tax
Peter Lattman (DealBook/NYT)
September 14, 2011

"Private equity executives and hedge fund managers are apoplectic that President Obama has included a provision in his jobs bill that they are calling punitive and discriminatory. Buried on Page 139 of the American Jobs Act is a measure that would tax profits on the sale of an investment management partnership — like a private equity, venture capital or hedge fund firm — at ordinary income rates of 35 percent. Proceeds from the sales of these and other United States businesses are now taxed at a 15 percent capital gains rate." Click here for more.

Fuld, Top Lehman Ex-Officials Blast Bid to Deny Insurance Funds
Eric Morath (WSJ – subscription required)
September 13, 2011

"Former Lehman Brothers Holdings Inc. Chief Executive Dick Fuld and other top officials defended their right to tap $90 million from insurance policies, saying any rights more junior managers may have to the funds shouldn't prevent them from settling a multibillion-dollar lawsuit brought by shareholders. In court papers filed Friday with the U.S. Bankruptcy Court in Manhattan, Mr. Fuld and the others asked a judge to dismiss arguments from seven former executives at Lehman's Structured Asset Securities Corp., known as Sasco, who objected to the drawdown of insurance funds to pay for the settlement. Those Sasco managers are concerned that the failed bank's top executives will exhaust $250 million in insurance before they can reach a settlement with holders of mortgage-backed securities that the unit issued. While the Lehman executives say dispersing funds from the policies yet again should be routine, the Sasco managers are concerned the $90 million size of the latest request could leave few additional funds available." Click here for more.

On Third Anniversary Of The 2008 Financial Crisis, GOP Candidates Pledge To 'Free Up' Wall Street
Pat Garofalo (ThinkProgress)
September 13, 2011

"Three years ago this week, the 2008 financial crisis began in earnest with the Sept. 15 bankruptcy of Lehman Brothers and the $85 billion bailout of insurance giant American International Group one day later. Those events set in motion the spiral that resulted in the $700 billion Troubled Asset Relief Program (TARP). In the Great Recession that followed this Wall Street-driven meltdown, 14 million Americans lost their jobs and $20 trillion in wealth was destroyed. However, the candidates on stage during last night's Republican presidential primary debate seem to be suffering from a severe case of amnesia when it comes to the financial crisis, as several of them called for repealing the Dodd-Frank financial reform law, with Texas Gov. Rick Perry going so far as to criticize the Obama administration for its failure to 'free up' Wall Street:" Click here for more.

Lehman Brothers: three years of denial
Dean Baker (The Guardian)
September 12, 2011

"As we prepare to celebrate the third anniversary of the Lehman Brothers bankruptcyand the ensuing financial crisis, it's a good time to assess the situation and ask what has changed. The answer is not encouraging. Very little has changed about either the realities on the ground or the intellectual debate on economic issues in the last three years. The 'too-big-to-fail' banks are bigger than ever as a result of crisis induced mergers. Financial industry profits now exceed their pre-crisis share of corporate profits, and executive pay and bonuses are again at their bubble peaks. Click here for more.

Banks Apply Lever to Cash Positions
Matt Wirz (WSJ – subscription required)
September 15, 2011

"Sitting on massive piles of cash and searching for investments that promise decent returns, U.S. banks have been doling out loans to companies with lower credit ratings. The loans are behind a drop in borrowing costs as corporations use cheap bank loans to pay off higher-yielding debt, as well as an increase in riskier leveraged buyouts by private-equity groups. While fears of a debt crisis in Europe and an economic slowdown in the U.S. sent many institutional investors bailing out of stock, bond and loan markets in August, bank loans to domestic corporations posted their largest monthly increase this year." Click here for more.

Fed's Bernanke: Central Bank Must Get New Financial Regulations 'Right'
Jeffrey Sparshott (Dow Jones Newswires)
September 15, 2011

"Federal Reserve Chairman Ben Bernanke Thursday said the central bank has to make sure it gets new financial regulations right as it looks to implement requirements of the Dodd-Frank Wall Street overhaul. 'I suspect no one in this audience needs to be convinced that we must get this right,' Bernanke said in remarks prepared for the opening of a Fed conference titled Regulation of Systemic Risk.Bernanke did not discuss monetary policy. Thursday's conference is set to review nine research papers related to the Fed's duty to maintain financial stability. 'This research is of critical importance. It can inform the design and implementation of macroprudential regulations and policies,' Bernanke said." Entire Article

Barney Frank Working On Legislation To Overhaul The Federal Reserve
Bonnie Kavoussi (The Huffington Post)
September 12, 2011

"Representative Barney Frank, the ranking member of the House Financial Services Committee, is working on legislation that would transform the Federal Reserve's decision-making process. According to Bloomberg and The Hill, Frank plans to submit a bill that would remove the votes of the five regional Federal Reserve presidents from the 12-member Federal Open Markets Committee (FOMC), which sets interest rates, and replace them with five appointees that would be nominated by the president and confirmed by the Senate." Click here for more.

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Upcoming Events

From Public Symposium:

A Growing Crisis in the Credit Markets: The Plight of Unbanked and Underbanked in America
Gold Room 2168 Rayburn
9/20 at 9:00 – Noon.

Lunch will be served and registration is required at http://publicsymposium.com.

SEC

When: Monday, September 19 (10 a.m.)

What: **Open Meeting**
See Sunshine Act Notice - he subject matters of the Open Meeting will be: Item 1: The Commission will consider whether to propose a new rule under Section 621 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203, to implement the prohibition under Section 621 regarding material conflicts of interest relating to certain securitizations. Item 2: The Commission will consider whether to propose new rules under Section 764(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act to provide for the registration of security-based swap dealers and major security-based swap participants.

Where: SEC Headquarters
100 F Street NE, Room L-002 (Auditorium)
Washington, DC 20549

Contact: Office of the Secretary
(202) 551-5400

CFTC

CFTC Will Not Hold September 22, 2011, Meeting

Senate

Senate Banking, Housing, and Urban Affairs Committee

On **Tuesday** at **10:00 A.M.** the Subcommittee on Housing, Transportation, and Community Development, chaired by Sen. Robert Menendez (D-NJ), will meet for a hearing entitled "New Ideas to Address the Glut of Foreclosed Properties."

Senate Committee on Finance

No pertinent markups/hearings scheduled as of 9/16/11

Senate Committee on Agriculture, Nutrition, and Forestry

No pertinent markups/hearings scheduled as of 9/16/11

House

House Committee on Financial Services

Joint Hearing with the Subcommittee on TARP, Financial Services and Bailouts of Public and Private Programs of the Committee on Oversight and Government Reform entitled "Potential Conflicts of Interest at the SEC: The Becker Case"
Oversight and Investigations
September 22, 2011 2:00 PM in 2128 Rayburn HOB

Hearing entitled "An Examination of the Availability of Credit for Consumers"
Financial Institutions and Consumer Credit
September 22, 2011 10:00 AM in 2128 Rayburn HOB

House Small Business Committee

September 21, 2011

Eliminating Job-Sapping Federal Rules through Retrospective Reviews – Oversight of the President's Efforts
On Wednesday, September 21, 2011 at 1:00 p.m., the House Small Business Committee will hold a full committee hearing entitled, "Eliminating Job-Sapping Federal Rules through Retrospective Reviews – Oversight of the President's Efforts." The hearing will take place in room 2360 of the Rayburn House Office Building.

The purpose of this hearing is to examine the President's Executive Order 13,563 which requires federal agencies to develop plans for retrospective review of all their regulations. The plans mandated by the Executive Order were finalized on August 22 and the Committee will hear from the official overseeing compliance with these plans – the Honorable Cass Sunstein, Administrator of the Office of Information and Regulatory Affairs of the Office of Management and Budget.

Opening Statement:
Chairman Sam Graves (R-MO)

Witnesses and Testimony:
The Honorable Cass Sunstein, Administrator, Office of Information and Regulatory Affairs, Office of Management and Budget, Washington, DC

House Committee on Agriculture

No pertinent markups/hearings scheduled as of 9/16/11

Committee on Oversight and Government Reform

No pertinent markups/hearings scheduled as of 9/16/11

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

No markups scheduled as of 9/16/11

From GW's Center for Law, Economics & Finance (C-LEAF) presents the Third Annual Financial Regulatory Reform Symposium:

"Dodd-Frank's Future Direction: On Track or Off Course?"

Friday, October 21, 2011
8:30 a.m. to 2 p.m.
Jack Morton Auditorium, Media & Public Affairs Building
805 21st Street, N.W., Washington, D.C. 20052

Featuring:

The Manuel F. Cohen Memorial Lecture
delivered by
Simon Johnson
Ronald A. Kurtz (1954) Professor of Entrepreneurship; Professor of Global Economics and Management
MIT Sloan School of Management

and

Keynote Address *delivered by*
The Honorable Sheila C. Bair
Former Chairman
Federal Deposit Insurance Corporation

The event also will include two panel discussions dealing with financial regulatory reform topics, including new regulations affecting large, systemically important financial companies and the future of housing finance. Join us for lively question-and-answer sessions with our guest speakers and panelists.

More details, including registration information, to follow.
www.law.gwu.edu/C-LEAF

The Honorable Sheila C. Bair - served as the 19th chairman of the Federal Deposit Insurance Corporation from June 2006 through July 2011. She served as chairman of the FDIC during one of the nation's most severe financial and economic crises. During her five-year term, Chairman Bair worked tirelessly to bolster public confidence and the stability of the financial system. She has been an outspoken advocate of legislative and regulatory reforms to end the doctrine of too-big-to-fail and prevent future taxpayer bailouts of large financial institutions.

Simon Johnson - a Ronald A. Kurtz (1954) Professor of Entrepreneurship at MIT Sloan School of Management. He also is a senior fellow at the Peterson Institute for International Economics in Washington, DC, co-founder and co-author of BaselineScenario (a much-cited blog on the global economy), a member of the Congressional Budget Office's Panel of Economic Advisers, and a member of the FDIC's Systemic Resolution Advisory Committee.