THIS WEEK IN WALL STREET REFORM

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Big Picture

Profits Falling, Banks Confront a Leaner Future
Eric Dash (NYT)
August 28, 2011

"Battered by a weak economy, the nation's biggest banks are cutting jobs, consolidating businesses and scrambling for new sources of income in anticipation of a fundamentally altered financial landscape requiring leaner operations. Bank executives and analysts had expected a temporary drop in profits in the aftermath of the 2008 financial crisis. But a deeper jolt did not materialize as trillions of dollars in federal aid helped prop up the banks and revive the industry." Click here for more.

For House Freshmen, It Pays to Belong to Banking Panel
Kevin Wack (American Banker – subscription required)
August 30, 2011

"An analysis of campaign-finance data proves that the House Financial Services Committee is an excellent place for vulnerable freshmen to raise money. The 12 first-term lawmakers on the committee — 11 Republicans and one Democrat — raised an average of $535,000 for their reelection campaigns between January and June, according to an American Banker analysis of campaign-finance data. That's 32% more, on average, than other House freshmen added to their coffers. Much of the money came from banks, insurance companies, real estate firms, and others with a stake in the committee's work." Click here for more.

House freshmen push bills that benefit big donors
Fredreka Schouten and Alan Gomez (USA Toda)
August 31, 2011

"Several House freshmen who swept into power vowing to change Washington's ways are pushing legislation that could benefit some of their most generous campaign contributors, a USA TODAY review of legislative and campaign records shows. … Other freshmen who have crafted legislation backed by the industries helping to underwrite their campaigns include Rep. Sean Duffy, R-Wis., and Rep. Paul Gosar, R-Ariz. Duffy, who gets a significant portion of his campaign funds from financial services companies, is the lead sponsor of a measure that would dilute the powers of a new Consumer Financial Protection Bureau." Click here for more.

The Rescue That Missed Main Street
Gretchen Morgenson (NYT)
August 27, 2011

"FOR the last three years we have been told repeatedly by government officials that funneling hundreds of billions of dollars to large and teetering banks during the credit crisis was necessary to save the financial system, and beneficial to Main Street. But this has been a hard sell to an increasingly skeptical public. As Henry M. Paulson Jr., the former Treasury secretary, told the Financial Crisis Inquiry Commission back in May 2010, 'I was never able to explain to the American people in a way in which they understood it why these rescues were for them and for their benefit, not for Wall Street.'" Click here for more.

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Rich Cordray Nomination

Barney Frank WP Op-ed - The Senate refuses to consider Obama nominees
Barney Frank (WP)
September 1

"Once upon a time, we could have expected the following sequence: After considerable debate, Congress would have passed a bill creating an agency. The president would then nominate someone to head that agency. That nomination would be considered on its merits by the Senate. But this is now. The president has nominated Richard Cordray, an able, experienced and thoughtful former state attorney general who has a

record of achievement in protecting individuals against financial abuse, to head the [Consumer Financial Protection Bureau](). And the Republican minority in the Senate has [announced that it intends to deny]() any consideration of the individual whom the president has nominated pursuant to his constitutional prerogative. They will do that by blatantly distorting the Constitution, substituting a refusal to allow the constitutionally mandated nomination process for the legislative process in which they simply do not have the votes to accomplish what they want." [*Click here for more.*]()

Groups lean on Sen. Kirk to OK new national consumer-protection chief
Greg Hinz (Chicago Business - Crain's)
September 1, 2011

"Three activist reform groups are stepping up pressure on U.S. Sen. Mark Kirk, R-Ill., to drop his opposition to naming a new national consumer-protection czar. In a joint statement, the heads of the ***Woodstock Institute****, the* ***Illinois Public Interest Research Group*** *and an official of the Chicago office of the* ***Shriver National Center on Poverty Law*** *are calling on GOP senators including Mr. Kirk to drop opposition to the nomination of Richard Cordray as director of the new Consumer Financial Protection Bureau. … But, in the statement, Illinois PIRG chief Brian Imus said Dodd-Frank is being 'effectively gutted' by Mr. Kirk and others who refuse to approve any nominee without changes. 'Illinois consumers need an effective cop on the beat to enforce our consumer protections laws and prevent abuse by big Wall Street banks," Mr. Imus said. "That can't happen until a director is confirmed.' Added Woodstock President Dory Rand, 'Financial products offered by non-bank financial institutions contributed to Illinoisans' economic distress. Clearly Illinois can't afford to wait any longer for strong consumer protections for high-cost payday loans, mortgages offered by independent brokers and prepaid cards.'"* [*Click here for more.*]()

Tougher Rules for Credit Bureaus Could Be On the Way
Rachel Koning Beals (US News & World Report – Money Personal Finance)
September 1, 2011

"Borrowers may soon have more weapons to fight back against erroneous credit reports and credit scores. This includes uncovering discrepancies when a report or score obtained by a consumer differs from the data that land on a lender's desk, simply because the numbers were derived from another service. … 'Even if you've never missed a payment, an error on your credit report can mean you're denied for a loan or pay higher interest rates. You could even be turned down for a job. And in fact, nearly one-quarter of credit reports were found to have serious errors, including false delinquencies,' says Brian Imus, ***Illinois director for the citizen lobby group Public Interest Research Group****. "Despite the fact that errors can harm your credit and lower your credit score, the bureaus have never once been held accountable for their mistakes."*
[*Click here for more.*]()

Illinoisans Can't Afford To Wait For A Consumer Financial Protection Bureau Director
The Woodstock Institute (The Beachwood Reporter)
August 31, 2011

"Next week will be an important one for every Chicago area consumer who uses financial services, from the payday loan store on the corner to Wall Street's biggest banks. The Senate Banking Committee will hold a hearing September 6th to consider the confirmation of Richard Cordray, President Obama's nominee as Director of the Consumer Financial Protection Bureau (CFPB). It is crucial that the Senate quickly confirm Cordray, a former Attorney General of Ohio who is well-qualified in consumer issues. … Illinoisans, particularly those in communities of color, have suffered significant losses as a result of reckless financial practices and a regulatory environment that did not prioritize consumers' best interests." [*Click here for more.*]()

CFPB and Consumer Issues

CFPB Launches Foreclosure Prevention Campaign, Includes HECMs
Alyssa Gerace (Reverse Mortgage)
August 29, 2011

"With the launch of a new [foreclosure prevention campaign](), the Consumer Financial Protection Bureau (CFPB) continues to come into its own as it takes on consumer-related responsibilities. The campaign

webpage offers step-by-step guidance to homeowners in danger of foreclosure, directing them to counseling agencies approved by the Department of Housing and Urban Development (HUD)." Click here for more.

U.S. Consumer Hotline Suffers Technical Gitches
Carter Dougherty (Bloomberg)
August 30, 2011

"Some consumer credit-card complaints haven't reached banks that issued the cards because of technical problems in the new system created by the Consumer Financial Protection Bureau, industry groups and regulators said. The month-old complaint response system has failed to properly route all inquiries, a problem bureau spokeswoman Jen Howard said the agency will resolve 'within a matter of weeks.' Howard didn't say how many complaints have been held up." Click here for more.

Divided district on display at meeting with Rep. Ann Marie Buerkle
Jill Terreri (Democrat and Chronicle – CA)
September 1, 2011

"The 25th Congressional District has divided party enrollment, close elections and diverse communities, from urban to suburban to rural. On Tuesday, those differences were on full display when Rep. Ann Marie Buerkle, a first-term Republican from suburban Onondaga County, took to the podium in front of about 250 people in Penfield Town Hall. … Marge Ricotta of Webster asked Buerkle why she didn't support the creation of a Consumer Financial Protection Bureau, which was created to regulate banks. Buerkle said it wasn't answerable to anyone, a reply that didn't satisfy Ricotta, who said the bureau was created to protect consumers." Click here for more.

Chart of the day, free checking edition
Felix Salmon (Reuters)
August 30, 2011

"American Banker runs this eye-opening chart today, showing what's happened to the availability of free checking over the past couple of years. In a nutshell, at small and medium-sized banks, and at credit unions, things are little changed. It's down a bit; it's not down a lot. But America's biggest banks, behaving in a pretty cartel-like manner, have nearly all abolished it in unison. Two years ago, 96% of them had free checking; now, only 35% do. 'Free checking', of course, has always been a bit of a misnomer; as I wrote last year, checking is never free. It's just that in recent years banks have been able to conjure the illusion of free through a system of regressive cross-subsidies, where the poor pay massive overdraft fees and thereby allow the rich to pay nothing." Click here for more.

Free checking "alive and well" at small community banks, despite fee frenzy at big banks
Ed Mierzwinski (US PIRG)
August 31, 2011

*"Over at the industry's lead trade paper, **The American Banker, Maria Aspan reports** that that 'free checking is alive and well at most banks despite the Durbin amendment on debit interchange fees' and, I would add, despite myriad other excuses used by the big banks for their recent fee increases. …Here's a bank fee tip from U.S. PIRG: **Bank at a credit union, not at a bank!** At least, bank at a local community bank, not at a big bank. PIRG reports consistently show **'Big Banks charge bigger fees**.' At U.S. PIRG, we also like to say that '**Big banks are constantly raising fees, inventing new fees and making it harder to avoid fees.'** Lose your big bank. You'll be better off."*

Op-ed - New watchdog agency to police credit card complaints
Daniel Vasquez Sun Sentinel Columnist
August 28, 2011

"Reading a credit card bill or banking statement can be as fun and easy as solving a calculus problem while waiting in a dentist's office for a root canal. But like maintaining good health, keeping an eye on financial statements is an important way to keep your credit in shape and to ensure you don't pay too much for that plastic card…. The Consumer Financial Protection Bureau, which opened on July 21, was created under the Dodd-Frank Wall Street Reform and Consumer Protection Act passed by Congress last year. Its mission — detailed on its website at consumerfinance.gov — is to be 'cop on the beat to patrol the consumer financial services markets.'" Click here for more.

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Shadow Markets and Systemic Risk

AFR Comment to Basel Committee on Capital Surcharges For the Largest Banks

Click here to view AFR"s comments to the Basel Committee, which sets international standards for minimum levels of bank equity capital, concerning the levels of required capital for the largest world banks (so called Global Systemically Important Banks, or G-SIBs). AFR believes the proposed Basel minimum capital levels for these banks are far too low, and the Committee's own analysis implies much higher capital levels should be set for these entities.

Big banks squawk about Basel Committee reforms

Ira Teinowitz (The Deal)
August 30, 2011

*"Big bank holding companies and financial groups are criticizing the Basel Committee's attempt to toughen capital standards for banks under Basel III, as well as a requirement that global systemically important banks face additional surcharges. They warned the Secretariat of the Basel Committee on Banking Supervision last week that the additional requirements could go too far and harm lending and individual country economies. They also said the proposed formula for determining who would face the harshest surcharge needs major reworking. … **Americans for Financial Reform**, a coalition of consumer groups, suggested the surcharges were too low, not too high. It said that too many systemically significant banks would pay 1% to 2.5%. 'The benefits of higher capital levels for systemically important banks are clearly much greater than the benefits of higher capital for ordinary banks,' the group said in a statement." Click here for more.*

3 Questions on Financial Stability

Simon Johnson (Herald Tribune – FL)
September 1, 2011

*"The Dodd-Frank financial legislation of 2010 created a Financial Stability Oversight Council, tasked with taking an integrated view of risks in and around the financial sector in the United States. Known as the FSoc (pronounced EFF-sock), the council comprises all leading regulators and other responsible officials, headed by the Treasury secretary. But three important and related issues emerged this summer that the FSoc needs to consider quickly: impending bank mergers that could create two more too-big-to-fail banks; whether to force the breakup of Bank of America; and how to rethink capital requirements for large systemically important banks, particularly as continuing European sovereign debt problems undermine the credibility of the international Basel Committee approach to bank capital.… The Basel Committee on Banking Supervision has proposed a methodology for systemically important institutions, but it rests on a very weak analytical basis, as **Americans for Financial Reform** pointed out in a recent letter. The FSoc would be making a very bad mistake if it continued to follow the European lead that set the lowest common denominator at Basel. Click here for more.*

CFA and AFR Comments to SEC on Business Conduct Standards for Security-Based Swap Dealers and Major Security-Based Swap Participants

CFA and AFR submitted comments to the SEC indicating that the proposed rules are neither consistent with congressional intent nor commensurate with the severity of the problems they are intended to address. Indeed, unless they are dramatically strengthened, they will do little to change the abusive practices that Congress targeted when it gave the Commission broad authority to regulate business conduct among security-based swap dealers (SBS Dealers) and major security-based swap participants (Major SBS Participants). Exclusive: Regulators seek trading secrets. Click here for more.

Click here to view AFSCME's comment letters and **click here** to view Better Markets' comment letter.

Exclusive: Regulators seek trading secrets
Sarah N. Lynch and Jonathan Spicer (Reuters)
September 1, 2011

"U.S. securities regulators have taken the unprecedented step of asking high-frequency trading firms to hand over the details of their trading strategies, and in some cases, their secret computer codes. The requests for proprietary code and algorithm parameters by the Financial Industry Regulatory Authority (FINRA), a Wall Street brokerage regulator, are part of investigations into suspicious market activity, said Tom Gira, executive vice president of FINRA's market regulation unit." Click here for more.

Op-ed - Gensler: CFTC Eager to Clean Up Swap Market
CFTC Chairman Gary Gensler (Politico)
September 1, 2011

"Before the 2008 financial crisis, our country's largest financial institutions were trading complicated derivatives, called swaps, in the shadows, which helped propel the economy into a downward spiral. Though the crisis had many causes, it's evident that swaps – created to lower risk for Main Street businesses – heightened risk on Wall Street. Further, the swaps market created the belief that certain financial institutions were not only too big to fail but too interconnected to fail. When AIG, Bear Stearns and others faltered or crumbled, it was the taxpayers who were left with the bill. It wasn't just the financial system that failed; the regulatory system designed to protect the public also failed." Click here for more.

CME's Donohue rejects Dodd-Frank Act, urges delay on law's start
Lynne Marek (Crain's)
August 30, 2011

"CME Group Inc. is amping up its campaign against the Dodd-Frank Wall Street Reform Act, with CME CEO Craig Donohue blasting regulatory changes and calling for delays to the law's implementation. ***In a letter to the Commodity Futures Trading Commission,*** *Mr. Donohue derides the act's rule-making process, saying its flaws will leave rules vulnerable to legal challenges. Chicago-based CME operates the largest U.S. futures market." Click here for more.*

SEC Urged to Wait on Rules
Ben White (Politico's Morning Money)
August 31, 2011

"In case you missed it (because we had), House Financial Services subcommittee chairs Randy Neugebauer and Scott Garrett recently wrote a letter to SEC Chair Mary Schapiro urging her to refrain from any rule-making until the commission confirms Daniel Gallagher for the open fifth seat. Letter: http://politi.co/r9yQCz"

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Commodity Speculation

Challenge to conventional wisdom on speculators
Gregory Meyer in New York (FT – registration required)
August 30, 2011

"A Washington hearing room was rapt last week as a man lectured on commodities markets. Money pouring in from investors had precipitated the 'financialisation' of the sector. 'Flows in these markets are having major effects on prices,' he said. 'That's the takeaway.' But the speaker was not a populist senator or policy gadfly. He was Kenneth Singleton, a winner of econometrics awards and distinguished professor at Stanford University, presenting a paper on oil's 2008 boom and bust." Click here for more.

Click here to read a summary of the release and press coverage of our report with Robert Pollin and James Heintz, "How Wall Street Speculation is Driving Up Gas Prices Today"

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Foreclosures and Housing

U.S. Is Set to Sue a Dozen Big Banks Over Mortgages
Nelson D. Schwartz (NYT)
September 1, 2011

"The federal agency that oversees the mortgage giants Fannie Mae and Freddie Mac is set to file suits against more than a dozen big banks, accusing them of misrepresenting the quality of mortgage securities they assembled and sold at the height of the housing bubble, and seeking billions of dollars in compensation. The Federal Housing Finance Agency suits, which are expected to be filed in the coming days in federal court, are aimed at Bank of America, JPMorgan Chase, Goldman Sachs and Deutsche Bank, among others, according to three individuals briefed on the matter." Click here for more.

White House could unveil mortgage plan next week
Margaret Chadbourn (Reuters)
August 31, 2011

"The Obama administration is considering unveiling new plans next week to revive the ailing housing market and reduce foreclosures, including an effort to help troubled borrowers refinance their mortgages. The administration has been working for weeks on how to implement a mortgage relief program. President Barack Obama could include a nod to the plan in a speech on job creation next week, sources familiar with the administration's plans said." Click here for more.

Nevada Says Bank Broke Mortgage Settlement
Gretchen Morgenson (NYT)
August 30, 2011

"The attorney general of Nevada is accusing Bank of America of repeatedly violating a broad loan modification agreement it struck with state officials in October 2008 and is seeking to rip up the deal so that the state can proceed with a suit against the bank over allegations of deceptive lending, marketing and loan servicing practices. In a complaint filed Tuesday in United States District Court in Reno, Catherine Cortez Masto, the Nevada attorney general, asked a judge for permission to end Nevada's participation in the settlement agreement. This would allow her to sue the bank over what the complaint says were dubious practices uncovered by her office in an investigation that began in 2009." Click here for more.

FDIC attempts to block BofA's $8.5 billion MBS investor settlement
Kerri Pancuk (Housing Wire)
August 30, 2011

"The Federal Deposit Insurance Corp. threw Bank of America (BAC [1]: 8.21 -2.15%) another challenge Monday when it filed a motion to intervene in the banking giant's proposed $8.5 billion mortgage-backed securities settlement with The Bank of New York Mellon. The FDIC described itself in the motion as "the receiver of numerous banks and owner of many certificates issued by many of the trusts that would be covered by the proposed settlement." The FDIC said its objecting to the settlement because it "does not have enough information" to evaluate the proposal." Click here for more.

Homeowners Sue to Block BofA/BNY Deal; Details
Abigail Caplovitz Field (Reality Check)
September 1, 2011

"The $8.5 billion settlement that Bank of New York and Bank of America hope will resolve all (or almost all) mortgage backed securities claims between them has faced a lot of opposition. The attorneys general of New York and Delaware oppose the deal, as do various investors not involved in the deal negotiations. Now a new, completely different type of opposition has surfaced: homeowners whose loans are funding the securities involved in the BNY-BofA settlement." Click here for more.

Fresh Scrutiny of BofA
Dan Fitzpatrick (WSJ – subscription required)
September 2, 2011

"U.S. regulators have pushed Bank of America Corp. to show what measures it could take if conditions worsen for the Charlotte, N.C., lender, according to people familiar with the situation. Executives of the bank recently responded to the unusual request from the Federal Reserve with a list of options that includes the issuance of a separate class of shares tied to the performance of its Merrill Lynch securities unit, these people said. Bank of America purchased Merrill Lynch in 2009, and it has become the bank's most profitable division." Click here for more.

Goldman Will Pay Penalties, Alter Practices to Win Approval of Litton Sale
Michael J. Moore (Reuters)
September 1, 2011

"Goldman Sachs Group Inc. (GS) agreed to pay future Federal Reserve penalties and write down $53 million of mortgage loans in New York to gain approval for its sale of Litton Loan Servicing LP. The Fed ordered Goldman Sachs to conduct an independent review of Litton's foreclosures in 2009 and 2010 to address a "pattern of misconduct and negligence," the regulator said today in a statement. Litton's sale to Ocwen Financial Corp. (OCN) was completed today after reaching accords with the Fed and New York state regulators, according to a Goldman Sachs statement." Click here for more.

2 weeks left on program to help unemployed avoid foreclosure
Alan J. Heavens (Philadelphia Inquirer)
September 1, 2011

"With about two weeks to its Sept. 16 application deadline, Pennsylvania's Emergency Homeowners Loan Program is being besieged by unemployed residents - most of them from the Philadelphia region - hoping to avert foreclosure. 'On recent days, our number of applications received has gone as high as nearly 250,' said Scott Elliott, spokesman for the Pennsylvania Housing Finance Agency, which is administering the $105.8 million, federally funded program. Click here for more.

How Congress could help you refinance your mortgage
Ezra Klein (Washington Post)
August 26, 2011

*"To emphasize a point I made in a Thursday post, the Obama administration can't use Fannie Mae and Freddie Mac to do a mass refinancing of troubled mortgages. They need the Federal Housing Finance Authority, which is currently led by a holdover from the George W. Bush years, to sign off first. But Congress is under no similar restriction. All they need to do is pass S.170, the Helping Responsible Homeowners Act. The bill, co-sponsored in the Senate by Barbara Boxer (D-Calif.) and Johnny Isakson (R-Ga.), deals with two problems in the current housing market: First, it directs Fannie Mae and Freddie Mac to offer refinancing opportunities to anyone who is current on his or her mortgage, no matter how underwater the mortgage is. That's the "responsible" part of the bill's title: If you're 50 percent underwater and you're still making payments, you are beyond responsible. You are making a decision to pay more than your home is worth when you could simply walk away. … But it's worth a try. It's been endorsed chief economist Mark Zandi of Moody's Analytics, the **National Consumer Law Center**, the National Association of Mortgage Brokers, the California Association of Realtors, the California Association of Mortgage Professionals, and William Gross, managing director and co-chief investment officer of fund manager Pimco. And if it doesn't work, it's pretty much a no-harm, no-foul sort of deal, as it's not going to cost the government money if banks don't refinance mortgages." Click here for more.*

Analysis: Little-known bureaucrat is most powerful man in housing policy
Brad Plumer and Ezra Klein, (WP)
August 30, 2011

"The most powerful man in housing policy today isn't President Obama. It's not Treasury Secretary Timothy F. Geithner or House Financial Services Chairman Spencer Bachus (R-Ala.). It's a little-known bureaucrat named Edward DeMarco. DeMarco is the acting director of the Federal Housing Finance Agency. Which means that, under the terms of the 2008 Housing and Economic Recovery Act, DeMarco is in charge of

supervising mortgage giants Fannie Mae and Freddie Mac. As such, any attempts the Obama administration might make to use Fannie and Freddie to [stabilize the housing market](#) run directly through DeMarco's office. And in many of the attempts it has made, the Obama administration has not exactly found DeMarco to be a willing partner." [Click here for more.](#)

In 50-state foreclosure negotiations, dispute underlines basic questions
Brady Dennis (WP)
August 30, 2011

"[A recent and acrimonious dispute among state officials](#) over a possible legal settlement to address nationwide mortgage abuses is underscoring basic questions about what the effort should accomplish. In settling claims against the largest banks related to "robo-signed" foreclosure documents and other flawed paperwork, should officials seek to rectify all the wrongs of the mortgage crisis? How big a settlement is big enough? What approach will net the best deal for struggling homeowners?" [Click here for more.](#)

How to rescue the housing market: Foreclosures!
Tami Luhby (CNNMoney.com)
August 31, 2011

"If the Obama administration really wants to save the housing market, it should speed up the foreclosure process -- not prolong the inevitable, experts say. Four years into the housing crisis, the real estate market is still teetering on the edge. The [Obama administration has tried one program after another](#) to stem the tide of foreclosures with limited success. And it is continuing to look for ways "to ease the burden on struggling homeowners," though no new initiative is imminent, the White House said this week." [Click here for more.](#)

Credit Ratings Agencies

AFR Hosted Conference Call on Credit Ratings Agencies

On Thursday Americans for Financial Reform hosted a conference call about the credit ratings with Senator Al Franken, Barbara Roper with Consumer Federation of America, and Eric Kolchinsky, former Managing Director of the Moody's business line responsible for rating collateralized debt obligations backed by subprime mortgages agencies.

Press Coverage:

Franken Pursues Tighter Oversight of Rating Agencies
Ben Protess (Dealbook/NYT)
September 1, 2011

"The Dodd-Frank Act cracked down on the credit rating agencies, the firms that awarded rosy ratings to bonds backed by junky mortgages, but some lawmakers and consumer advocates contend that the regulatory overhaul falls short. … 'This is not a progressive or conservative idea — it's a common-sense idea,' Mr. Franken said on a conference call with reporters, hosted by [Americans for Financial Reform](#), a consumer advocacy group. 'Instead of pay-to-play, we'd switch to pay-for-performance.' … Barbara Roper, director of investor protection for the [Consumer Federation of America](#), likened the rules to the 'Chinese restaurant approach to reform,' offering a smattering of options but no comprehensive overhaul. 'The commission has proposed simply to do,' she said on the conference call, what the rating agencies "already claim to be doing." [Click here for more.](#)

SEC Proposal Fails to Fix Ratings Agencies: Sen. Franken
Melanie Waddell (AdvisorOne)
September 1, 2011

"Two of the biggest advocates of credit ratings agency reform warned Thursday that the credit rating agency reform proposals put forth by the Securities and Exchange Commission as part of Dodd-Frank are inadequate, and that the ratings agencies are returning to practices that helped spur the financial meltdown. The pair—Sen. Al Franken, D-Minn., and Barbara Roper, director of investor protection at the ***Consumer***

***Federation of America**—spoke during a conference call held by **Americans for Financial Reform**." Click here for more.*

Critics Exhort SEC To Overhaul Credit Rating Agency System
Jim McConville (Financial Advisor Magazine)
September 1, 2011

*"If it's broke, fix it. That's what critics of the nation's credit rating agency system believe, contending that it's in sore need of overhaul to prevent a repeat of the financial meltdown of 2008. Sen. Al Franken (D-Minn.) exhorted the Securities and Exchange Commission to provide a major makeover to the nation's credit agency system that he called 'fundamentally flawed.' Franken was one of three panelists who participated in a conference call on Thursday sponsored by **Americans for Financial Reform**. Click here for more.*

Additional Coverage: *DSNews.com, The Hill, Firedoglake blog,*

Subprime Mortgage Bonds Get AAA Rating S&P Denied to U.S.
Zeke Faux and Jody Shenn (Bloomberg)
August 31, 2011

"Standard & Poor's is giving a higher rating to securities backed by subprime home loans, the same type of investments that led to the worst financial crisis since the Great Depression, than it assigns the U.S. government. S&P is poised to provide AAA grades to 59 percent of Springleaf Mortgage Loan Trust 2011-1, a set of bonds tied to $497 million lent to homeowners with below-average credit scores and almost no equity in their properties. New York-based S&P stripped the U.S. of its top rank on Aug. 5, saying Washington politics were making the country less creditworthy." Click here for more.

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Executive Compensation

Study: Top CEOs earned more than companies paid in tax
Reuters
September 1, 2011

*"Twenty-five of the 100 highest-paid U.S. CEOs earned more last year than their companies paid in federal income tax, a pay study by a Washington think tank said Wednesday. At a time when lawmakers are facing tough choices in a quest to slash the national debt, the **Institute for Policy Studies**, said it also found many of the companies spent more on lobbying than they did on taxes." Click here for more.*

Some companies pay their CEOs more than Uncle Sam, study says
Peter Whoriskey (WP)
August 31, 2011

"It has become a bipartisan article of faith in some quarters that the income tax on U.S. corporations must be lowered. But for many large U.S. companies, the burden of U.S. taxation pales in comparison with what they pay their chief executives, according to a study released Wednesday by the Institute of Policy Studies, a liberal think tank." Click here for more.

Additional press coverage includes – TheStreet.com ABC News, NYT, Politico, and The Hill

Click here to view the full study.

New IPS Report: CEO Pay Exceeds Corporate Taxes
Bartlett Naylor and Dorry Samuels
August 31, 2011

"Prepare to be ill: Of the 100 highest-paid CEOs in the United States, 25 of them made more money than their company paid in 2010 federal income taxes. In its 18th annual executive compensation survey, the

Institute for Policy Studies found that 'the people who run corporations . . . are reaping awesomely lavish rewards for the tax dodging they have their corporations do.'" Click here for more.

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Interchange

Free Checking Thrives at Smaller Banks, Durbin Notwithstanding
Maria Aspan (American Banker – subscription required, but one can view this article)
August 29, 2011

"Free checking may be nearing extinction at large banks as they attempt to recoup lost debit interchange revenue, but at smaller institutions the product is not even an endangered species. Nearly two thirds of big banks have eliminated free checking since the end of 2009, adding fees or changing the terms of some 4 million consumer deposit accounts, according to the research firm Moebs Services. The cuts were largely in anticipation of the Federal Reserve Board's new restrictions on debit interchange, which will slash the revenues that banks earn every time their customers shop with their debit cards. …But free checking is still alive and well at most banks and credit unions with less than $50 billion worth of assets. Community bankers say they will continue offering free checking for the foreseeable future, even if they're not entirely happy about it." Click here for more.

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Student Lending

Party Ends at For-Profit Schools
Melissa Korn (WSJ - subscription required)
August 23, 2011

"For-profit colleges are facing a tough test: getting new students to enroll. New-student enrollments have plunged—in some cases by more than 45%—in recent months, reflecting two factors: Companies have pulled back on aggressive recruiting practices amid criticism over their high student-loan default rates. And many would-be students are questioning the potential pay-off for degrees that can cost considerably more than what's available at local community colleges." Click here for more.

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FTT

How Will We Pay for Obama's New Jobs Push? Answer: Tax Wall Street
John Nichols (The Nation)
August 31, 2011

"President Obama is right: the United States needs a jobs program [1] that spends federal tax dollars to retain jobs, to create jobs and to put tens of millions of Americans back to work. Unfortunately, President Obama does not have a Congress that will work with him to implement a jobs agenda. The demand for a jobs programs must be coupled with demands for better budgeting priorities and for new sources of revenue. National Nurses United [3], the activist union that has been in the forefront of pushing for a genuinely progressive politics and economics in the United States, is addressing the revenue issue with a bold campaign for a tax on Wall Street financial speculation." Click here for more.

Nurses demand- Tax Wall Street to Heal America
dcampbell1 (Talking Union)
September 1, 2011

"Some 80 Nurses and their union supporters boldly marched into the offices of Congressman Dan Lungren (R. Sacramento) asking that he sign a pledge to support a Wall Street Transaction Tax on Sept.1, at his Gold

River, California offices. Speakers from California Nurses Association, from Retired RNs, and from the Sacramento Central Labor council asserted that they were united by the harm being done to our society by the Great Recession, and demanded a response from the Congressman who was not in his office and could not be located." Click here for more.

OTHER

Economy Deeply Divides Fed
Jon Hilsenrath (WSJ- subscription required)
August 31, 2011

"Federal Reserve officials are as deeply divided as they've been in decades about how to spur the flagging economy, records released Tuesday show, as they stake out positions on what, if any, action to take at their September meeting. Minutes of the Fed's Aug. 9 meeting, released Tuesday after the normal three-week lag, offered new evidence that some officials wanted to immediately restart a controversial bond-buying program aimed at spurring the economy. Others felt that even the smaller steps the central bank instead chose were too aggressive." Click here for more.

BofA Cashes Its China Chips
Dan Fitzpatrick and David Benoit (WSJ – subscription required)
August 30, 2011

"Bank of America Corp. Chief Executive Brian Moynihan bought himself some breathing room as the bank agreed to sell more than $8 billion of China Construction Bank Corp. stock, its second multibillion-dollar deal in a week." Click here for more.

Buffett Investment Could Erode Confidence in Big Banks
Jesse Eisinger (Dealbook/NYT)
August 31, 2011

"Last week, our financial Superman, the mild-mannered Midwesterner Warren E. Buffett, swooped in again to save another bank, the financial markets, the American economy and just maybe our precious way of life. Mr. Buffett's purchase of $5 billion worth of Bank of America preferred stock (on his usual generous terms, including long-lasting warrants to buy common stock at an attractive price) immediately stiffened the upper lips of chattering investors and pundits. Bank of America's chairman hailed it as a "vote of confidence" in the bank. It was also celebrated as a signal that the worst was over in the rout recently experienced by the American financial sector." Click here for more

Pimco's Gross rues US debt 'mistake'
Dan McCrum in New York (FT – registration required)
August 29, 2011

"Bill Gross, manager of the world's largest bond fund for Pimco, has admitted that it was a mistake to bet so heavily against the price of US government debt. Mr Gross emptied his $244bn Total Return Fund of US government-related securities earlier this year in a high-profile call that has backfired as the bond market has rallied. As of Monday, Pimco's flagship fund ranked 501th out of 589 bond funds in its category." Click here for more.

Labor Economist to Fill Key Post
David Wessel (WSJ – subscription required)
August 29, 2011

"President Barack Obama on Monday plans to nominate Princeton University's Alan Krueger to be chairman of the White House Council of Economic Advisers, a White House official said. If confirmed by the Senate, Mr. Krueger, a labor economist, is likely to provide a voice inside the administration for more-aggressive government action to bring down unemployment and, particularly, to address long-term joblessness." Click here for more.

Economic Adviser Pick Is Known as Labor Expert
Jackie Calmes (NYT)
August 29, 2011

"In tapping Alan B. Krueger on Monday to lead the Council of Economic Advisers, President Obama has picked an economist well known for his studies of labor markets just as the president is about to announce a renewed push for job creation policies as early as next week. Among the stimulus policies Mr. Obama is considering is a temporary tax credit for employers adding to their work force, an idea that Mr. Krueger championed in his earlier stint in the administration. Mr. Krueger was an assistant secretary and chief economist at the Treasury Department for 17 months, before he returned to teaching at Princeton in 2010." Click here for more.

Op-ed - Banking in a Time of Over-Regulation
Frank Keating (WSJ – subscription required)
August 30, 2011

"What's the key to stimulating our economy? Consider a conversation I had recently with a banker in Nebraska. For the first time, he said, his bank now devotes more work hours to compliance than to lending. Specifically, he has 1.2 employees on compliance for every one employee focused on lending and bringing in business. …Yet banks across the country are feeling a similar pull on resources as the Dodd-Frank Act is implemented. Already federal regulators have issued 4,870 Federal Register pages of proposed or final rules affecting banks. Many more are still to come—for a grand total of more than 240 rules. And that's on top of about 50 new or expanded regulations unrelated to Dodd-Frank that banks have had to absorb over the past two years. Managing this mountainous regulatory burden is a significant challenge for a bank of any size. but for the median-sized bank—with 37 employees—it's overwhelming. The cost of regulatory compliance as a share of operating expenses is two and a half times greater for small banks than for large banks." Click here for more.

Warren not set to announce a run, but she's ready for a fight
Noah Bierman and Frank Phillips (Boston Globe)
August 31, 2011

"Elizabeth Warren has been in full live-wire mode for 45 minutes, joking about her grandchildren, pounding the table as she dissects the mortgage crisis, insisting she will not temper her two-fisted style if she runs for US Senate. Repeatedly, she declares that middle-class families don't have a lobbyist in Washington, while the bankers have enough of them to pack a senator's waiting room. It sounds like the beginnings of her stump speech." Click here for more.

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Upcoming Events

SEC

No meetings as of 9/2

CFTC

CFTC to Hold Open Meeting to Consider Two Proposed Rules under Dodd-Frank Act

The Commodity Futures Trading Commission (CFTC) will hold a public meeting on Thursday, September 8, 2011, at 9:30 a.m., to consider proposed rulemakings under the Dodd-Frank Wall Street Reform and Consumer Protection Act on the following topics:

• Documentation and Margining (further Notice of Proposed Rulemaking), and Mandatory Clearing and Trading Implementation (NPRM).

The Meeting will be open to the public on a first-come, first-served basis.

What: Meeting to consider two Proposed Rules under the Dodd-Frank Act

Where: CFTC Conference Room, 1155 21st Street, N.W., Washington, DC

When: Thursday, September 8, 2011, 9:30 a.m.

Viewing/Listening Information: Watch a live broadcast of the meeting via webcast on www.cftc.gov.

Call-in to a toll-free or toll-telephone line to connect to a live audio feed. Call-in participants should be prepared to provide their first name, last name and affiliation. Conference call information is listed below:

Domestic Toll-Free Number: 866-844-9416

International Toll Numbers: Listed under Related Links

Participant Passcode/Pin: 2125237

Senate

Senate Banking, Housing, and Urban Affairs Committee

FULL COMMITTEE HEARING: Nomination Hearing

WITNESS: The Honorable Richard Cordray to be Director, Bureau of Consumer Financial Protection

DATE: September 6, 2011

TIME: 2:30 P.M.

LOCATION: Room SD-538, Dirksen Senate Office Building

Testimony and archived videos will be posted at:
http://banking.senate.gov/public/index.cfm?FuseAction=Hearings.Home

Senate Committee on Finance

No pertinent markups/hearings scheduled as of 9/2/11

Senate Committee on Agriculture, Nutrition, and Forestry

No pertinent markups/hearings scheduled as of 9/2/11

House

House Committee on Financial Services

Field hearing entitled "Facilitating Continued Investor Demand in the U.S. Mortgage Market Without a Government Guarantee"
Wednesday, September 7, 2011 10:00 AM in New York, NY
Capital Markets and Government Sponsored Enterprises

WITNESS LIST - Mr. Martin Hughes, President and CEO, Redwood Trust, Inc., Mr. Chris Katopis, Executive Director, Association of Mortgage Investors, Mr. Joshua Rosner, Managing Director, Graham Fisher & Co., Mr. Ajay Rajadhyaksha, Managing Director, Barclays Capital

Hearing entitled "The U.S. Housing Finance System in the Global Context: Structure, Capital Sources, and Housing Dynamics"
Thursday, September 8, 2011 10:00 AM in 2128 Rayburn HOB
International Monetary Policy and Trade

Hearing entitled "Legislative Proposals to Determine the Future Role of FHA, RHS and GNMA in the Single- and Multi-Family Mortgage Markets, Part 2"
Thursday, September 8, 2011 2:00 PM in 2128 Rayburn HOB
Insurance, Housing and Community Opportunity

House Small Business Committee

No pertinent markups/hearings scheduled as of 9/2/11

House Committee on Agriculture

No pertinent markups/hearings scheduled as of 9/2/11

Committee on Oversight and Government Reform

No pertinent markups/hearings scheduled as of 9/2/11

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

No markups scheduled as of 9/2/11

From the Roosevelt Institute:

There is ongoing discussion about the role of Fannie Mae and Freddie Mac in the financial crisis. Looking back, did government-sponsored enterprises contribute to the crisis? And moving forward, what kind of housing market do we want to have and what will the federal government need to do?

Please join Roosevelt Institute Senior Fellows **Rob Johnson, Jeff Madrick,** and **Joseph Stiglitz** along with Fellow **Mike Konczal** in Washington D.C. as we examine these questions and the future of housing policy in America.

The Government's Role in Housing Policy

September 13, 2011
8 a.m.-12:30 p.m.
at the Capitol Hill Visitors Center, Room SVC 212-210

Featuring keynote speakers

- **Phil Angelides**, Chairman of the Financial Crisis Inquiry Commission
- **Joseph Stiglitz**, Nobel Prize-winning economist and Roosevelt Institute Senior Fellow

Panelists include:

- **Joshua Rosner**, co-author of *Reckless Endangerment*
- **Robert Van Order**, Professor of Finance and Oliver T. Carr Professor of Real Estate, George Washington University; former Chief Economist, Freddie Mac
- **Susan Wachter**, Richard B. Worley Professor of Financial Management; Professor of Real Estate and Finance,The Wharton School

Space is limited, so please RSVP to Madeleine Ehrlich at mehrlich@rooseveltinstitute.org or 212.444.9138. We'll begin with a continental breakfast from 8:00-8:30 a.m.

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
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
Simon Johnson is the 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.

National Consumer Law Center:

Deadline for the early registration rate to the Consumer Rights Litigation Conference in Chicago is this **Friday, September 9th**. You can register today by clicking on this link here: Register Online **The 20th Annual Consumer Rights Litigation Conference will take place at the luxurious Fairmont Chicago, Millennium Park Hotel on November 3-6, 2011**.

Over the years thousands of consumer attorneys have attended and gained insightful, useful information from experts in consumer law. Nearly 1,000 attorneys attended last year’s conference in Boston. You don’t want to miss the conference’s cutting edge courses that will strengthen your cases, sharpen your legal strategies, and improve your results for your consumer clients. In addition to a full lineup of breakout sessions, plenaries, and the Consumer Class Action Symposium, the conference will feature a number of Intensive sessions that provide timely, in depth information on:
- -- mortgage litigation and foreclosure defense
- -- consumer bankruptcy

-- the FHA and RHS Loan Programs
-- student loan borrowers
-- debt collection suits
-- the Consumer Financial Protection Bureau
-- the new preemption rules
-- auto lending, internet payday loans, prepaid cards, and so much more!

Space permitting, hotel rooms are available at a special conference rate of $179 until **October 10, 2011**. For more information about our conference, speakers, agenda descriptions, hotel booking, scholarship information, and to register online go to Consumer Rights Litigation Conference 2011 .