THIS WEEK IN WALL STREET REFORM

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#Occupy and Other Grass Roots Activities

Insight - Why Wall Street still doesn't get it
Matthew Goldstein and Jennifer Ablan (Reuters)
November 18, 2011

"It was a telling moment at the height of the Occupy Wall Street protests.John Paulson, the hedge-fund trader who famously made billions betting on the collapse of the housing market, was threatened by the demonstrators with a march on his Upper East Side home in New York last month. Paulson responded by putting out a press release that described his $28 billion (17.6 billion pound), 120-person fund as an exemplar of the American Dream: 'Instead of vilifying our most successful businesses, we should be supporting them and encouraging them to remain in New York City.' Other captains of finance like to portray themselves as humble entrepreneurs. One owner of a multi-billion-dollar hedge fund grumbled in the midst of the financial crisis that he has to worry not only about making trading decisions but also about 'all the hassles the come with running a small business.' With U.S. cities moving this week to crack down on Occupy Wall Street encampments - including the one in New York's Zuccotti Park - the staying power of the movement is in question. Whatever its future, it's clear that so far, the Occupiers haven't changed many minds on Wall Street over blame for the country's hard times. The cognitive disconnect between the protesters and the captains of finance is alive and well." Click here for more.

Occupy Wall Street at two months: Hundreds arrested across US
Ron Scherer (Christian Science Monitor)
November 17, 2011

"Thousands of Occupy protesters took to the streets of cities across the United States Thursday, and hundreds were arrested after scuffles with police. The national 'day of action' marked two months since the creation of the movement and took place two days after New York City police evicted Occupy Wall Street from its longtime Manhattan base, a tent compound in Zuccotti Park. More than half the day's arrests were made in New York where, after failing to delay trading on the New York Stock Exchange in the morning and demonstrating throughout the damp day, a swelling crowd of thousands of Occupy Wall Street sympathizers marched on a cold windy evening to the Brooklyn Bridge." Click here for more.

Nuns Who Won't Stop Nudging
Kevin Roose (NYT)
November 12, 2011

"NOT long ago, an unusual visitor arrived at the sleek headquarters of Goldman Sachs in Lower Manhattan. It wasn't some C.E.O., or a pol from Athens or Washington, or even a sign-waving occupier from Zuccotti Park. It was Sister Nora Nash of the Sisters of St. Francis of Philadelphia. And the slight, soft-spoken nun had a few not-so-humble suggestions for the world's most powerful investment bank. Way up on the 41st floor, in a conference room overlooking the World Trade Center site, Sister Nora and her team from the Interfaith Center on Corporate Responsibility laid out their advice for three Goldman executives. The Wall Street bank, they said, should protect consumers, rein in executive pay, increase its transparency and remember the poor." Click here for more.

Seattle council asks city to look at its investments
Lynn Thompson (Seattle Times)
November 14, 2011

"The Seattle City Council on Monday unanimously adopted a resolution in support of Occupy Seattle that calls on the city to examine its banking and investment practices, home-foreclosure patterns and the financing of local elections. The resolution was a grab bag of proposals meant to provide a local response to the concentration of wealth and abuses in the financial sector that the Occupy Wall Street protest and its regional offspring have called attention to in encampments and rallies around the country this fall." Click here for more.

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Attacks on Regulations and Pushback

AFR Letter: Oppose Legislation Providing Regulatory Loop Holes to Big Banks
Click here to view the letter AFR sent to members of the House Financial Services Committee asking that they oppose legislation in today's Capital Markets Subcommittee hearing that would provide regulatory loopholes to big banks.

POGO and Allies Letter: The Wrong Reforms for the SEC
Click here to view the letter POGO and other public interest groups sent opposing legislation that would add onerous hurdles to the Securities and Exchange Commission's (SEC) rulemaking and enforcement efforts and undermine the agency's mission to protect investors.

Bottari: As Zuccotti Park is Cleared, Congress Moves to Gut Financial Reform
Mary Bottari (Center for Media and Democracy)
November 15, 2011

*"In the dead of night last night, the movement to hold big banks accountable for their crimes took two major hits. Occupy Wall Street activists were swept from Zuccotti Park as radical members of Congress moved to gut funding for the Commodity Futures Trading Commission (CFTC) and advance a series of shocking proposals to roll back financial reform. On Capitol Hill, a similar rout was taking place in the dead of night. In a fast move that deals a serious blow to a key regulator in charge of Wall Street derivatives trading, Obama's budget request for CFTC was cut by more than a third by GOP legislators eager to kill any oversight of Wall Street. … **Better Markets**, a Wall Street watchdog group, explains the problem this way: 'The derivatives market is $600 trillion big and much of that market is controlled by just 4 Wall Street megabanks: JP Morgan Chase, Citigroup, Bank of America and Goldman Sachs. Who is the watchdog for those derivatives? The CFTC has responsibility for most of them and it is getting a budget of only $205 million. They will not be able to hire the people or buy the technology that they need to keep up with Wall Street, never mind actually keep watch over them to try to prevent another financial catastrophe.' Crippling the CFTC is, of course, part of the GOP plan. As CFTC has moved this year to bring transparency to dark markets and crack down on commodities speculation, the tiny agency has been a lightning rod for right-wingers who opposed the 2010 Dodd-Frank reforms. …Today, the House Financial Services Capital Markets subcommittee will move to advance five more bills which would roll back critical reforms. Learn more about these bills from **Americans for Financial Reform (pdf).**"* *Click here for more.*

Community banks endorse bill to kill excessive regulations
Kerri Pan (Housing Wire)
November 16, 2011

*"Leaders in the community bank space encouraged lawmakers during a House Financial Services hearing Wednesday to support the Communities First Act, or H.R. 1697, to derail cumbersome regulations that they say are tripping up community banks. … **Arthur Wilmarth, professor of law at George Washington University Law School**, testified in front of the committee, saying the financial crisis and new regulations have weighed heavily on community banks, yet the too-big-to-fail banks that caused the crisis are benefiting from the changes in the competitive marketplace." Click here for more.*

Click here to view/read testimony from the Joint Hearing entitled "H.R. 1697, The Communities First Act", including testimony from Mr. Arthur E. Wilmarth, Jr., Professor of Law, George Washington University, Executive Director, Center for Law, Economics and Finance, Mr. Adam J. Levitin, Professor of Law, Georgetown University Law Center, and

on behalf of AFR and AFL-CIO - Mr. Damon Silvers, Director, Policy and Special Counsel, American Federation of Labor and Congress of Industrial Organizations.

CSS - Impacts of the Regulatory Accountability Act: Overturning 65 Years of Law and Leaving Americans Less Protected'
Coalition for Sensible Safeguards press release
November 17, 2011

"The Regulatory Accountability Act (RAA) (S. 1606/H.R. 3010) is a radical measure that would severely weaken laws that protect our health, safety and the environment. A new paper from the Coalition for Sensible Safeguards, Impacts of the Regulatory Accountability Act: Overturning 65 Years of Law and Leaving Americans Less Protected, reveals how the proposed bill would cripple the federal regulatory process, placing the public in harm's way." Click here for more.

The GOP's 'Uncertainty' Talking Point, Debunked
Zach Carter and Sam Wilkes (Huffington Post)
November 11, 2011

"With the economy in a slump for nearly four years, corporate executives and conservative politicians have repeatedly invoked 'uncertainty' as a major barrier to American job-creation. The 'uncertainty' jab is a go-to talking point for any congressional Republican looking to tag President Barack Obama as a tax-raising, regulation-obsessed foe of American businesses. But according to banking data compiled by economic research firm Moebs Services, the uncertainty plaguing the American economy has nothing to do with government regulations or taxes on millionaires. It's an uncertainty driven squarely by consumers and small-businesses who are worried about their short-term financial prospects. And it's been going on since well before Obama took up residence in the White House." Click here for more.

Reid bashes Republicans' war on regulations
Josiah Ryan (The Hill)
November 15, 2011

"Senate Majority Leader Harry Reid (D-Nev.) on Tuesday bashed Republicans' persistent focus on slashing regulations as a way to improve the economy. 'My Republican friends are yet to bring a single piece of evidence that the regulations they hate so much have the economic harm they claim,' said Reid from the floor. 'That's because there isn't any.' Reid characterized the GOP's spite for government regulation as a misplaced belief that 'the horrible time-consuming government regulations … hinder the economic progress of America" and is the "source of all the nation's economic woes.'" Click here for more.

GOP candidates say Dodd-Frank kills small banks. The banks beg to differ.
Suzy Khimm (Washington Post)
November 10, 2011

"The 2012 Republican field hates Dodd-Frank. But when asked what they particularly detest about Obama's Wall Street bill, the candidates don't tend to get very specific. They blast Dodd-Frank for killing the economy through regulations and attack the Democratic authors of the legislation. 'If you want to put people in jail, I want to second what Michele (Bachmann) said, you ought to start with Barney Frank and Chris Dodd,' Newt Gingrich said during a debate last month. What they don't usually do is delve into detailed explanations of what's wrong with the legislation. But there's at least one concrete criticism that they bring up, time and again: that Dodd-Frank is "a killer for the small banks,' as Mitt Romney pronounced at another debate last month—a claim that both Gingrich and Herman Cain repeated in Detroit last night. But despite the GOP field's comments, small and community banks aren't uniformly, unequivocally opposed to Obama's Wall Street reform. In fact, even the country's biggest lobbying group for community banks praises Dodd-Frank for helping to level the playing field by reining in big banks, while also criticizing specific provisions of the legislation." Click here for more.

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CFPB and Consumer Issues

AFR, NCLC, and Allies Comment Letter: Financial Inclusion Critical to Economy Recovery
Click here to view the comment letter AFR along with NCLC and other allies submitted to the Department of Treasury on financial inclusion.

CFPB Official: Elder Financial Abuse "Crime of the 21st Century"
Kate Davidson (American Banker – subscription required)
November 15, 2011

"The director of the CFPB's Office for Older Americans said the bureau plans to raise awareness of the growing problem of elder financial abuse. Democrats used the hearing to reemphasize that the bureau can't fully protect seniors until a permanent director is confirmed." Click here for more.

Click here to view a joint press statement U.S. PIRG, Consumers Union, Consumer Action, National Fair Housing Alliance, and Americans for Financial Reform and click here to view an additional statement from Consumers Union.

GAO Gives CFPB High Marks in First Financial Audit
Kate Davidson (American Banker – subscription required)
November 15, 2011

"The Consumer Financial Protection Bureau received a clean bill of health from the Government Accountability Office in its first annual report of the bureau's finances. The report, released Tuesday, found that the bureau's financial statements were 'fairly presented in all material respects' and that CFPB 'had effective internal control over financial reporting' as of Sept. 30. It also found 'no reportable instances of noncompliance' with the laws and regulations tested." Click here for more.

Banks Quietly Ramping Up Costs to Consumers
Eric Dash (NYT)
November 13, 2011

"Even as Bank of America and other major lenders back away from charging customers to use their debit cards, many banks have been quietly imposing other new fees. Need to replace a lost debit card? Bank of America now charges $5 — or $20 for rush delivery. Deposit money with a mobile phone? At U.S. Bancorp, it is now 50 cents a check. …Some policy makers are already fed up. This month, two Democratic senators, Richard J. Durbin of Illinois and Jack Reed of Rhode Island, urged the Consumer Financial Protection Bureau to adopt a more consumer-friendly disclosure form, akin to the nutrition label on food packaging, for all the fees attached to a checking account." Click here for more.

Mierzwinski - Subcommittee votes today on predatory rent to own bill that overrides strong state consumer laws
Ed Mierzwinski (US PIRG blog)
November 17, 2011

"The Financial Institutions Subcommittee of the House Financial Services Committee will hold a markup vote today at 10 am on HR 1588 (Canseco-R-TX) on legislation to eviscerate strong state consumer laws regulating the rent to own industry. RTO stores trap consumers into weekly (104 weeks or more) or monthly (24 months or more) contracts to buy furniture, computers, jewelry and appliances over time. The firms promise the American dream of ownership, but consumers end up in the same place as Tennessee Ernie Ford's miner in the company town: owing their soul to the company sto'" Click here for more.

Click here to view the letter NCLC and AFR re-sent to members of the subcommittee.

Robocalls Instigate a Cellphone Fight
Randall Stross (NYT)
November 12, 2011

"Almost everyone with a landline has felt the annoyance of picking up the phone and realizing that a call is not from a friend or a family member but rather is a prerecorded message delivered by a software-robot. … The American Bankers Association, the Association of Credit and Collection Professionals and other trade

groups want to prevent the F.C.C. from strengthening the consent requirement. They [are backing a bill] in the House, H.R. 3035, that they say would clarify issues of consent surrounding automated calls. The lobbyists try to argue that the protections extended to cellphones in 1991 were necessary only because the per-minute cost of receiving calls was high. Those costs have fallen greatly since then — so, they argue, there is no need to continue to treat cellphones differently. It's not quite that simple, however. For someone with a flat-rate wireless plan, receiving an unwanted robocall does not incur a cost measured by the minute. But as more consumers use their phones less for actual calls and opt for prepaid plans, there's a visible cost for every minute of use. Separately, there is the harder-to-calculate cost of having one's personal space invaded by a robocaller that one never wished to summon. The bill [is opposed by] the ***National Association of Consumer Advocates****, the Consumer Federation of America,* ***Americans for Financial Reform, Consumer Watchdog, the U.S. Public Interest Research Group*** *and other consumer advocates. [Click here for more.]*

Payday lender curbs backed
Peter Smith (The Courier-Journal – KY)
November 15, 2011

"Kentucky's largest religious denomination joined Tuesday in a growing call for regulations on payday lenders, saying such loans cost the annual equivalent of nearly 400 percent in interest and amount to 'usury' decried in the Bible. At its annual meeting, the Kentucky Baptist Convention adopted a resolution without dissent calling for state and local regulations that would cap interest on short-term loans at 36 percent. It's the first public statement in recent memory by the state affiliate of the Southern Baptist Convention on regulating financial institutions, and it puts it on the same page with several other religiously affiliated organizations that comment more regularly on economic issues." [Click here for more.]

Banks Face Scrutiny Over Debit Card Fees for Jobless
Kate Berry (American Banker – subscription required)
November 14, 2011

"Big banks increasingly have been taking advantage of a lucrative loophole in recent debit fee regulations: issuing cards to pay benefits to the unemployed and disabled without having to concern themselves with the interchange fee caps that apply elsewhere. All told, Bank of America, JPMorgan Chase, U.S. Bancorp, Wells Fargo and others have rolled out such prepaid benefit card programs in 41 states. …Consumer advocates praise California's benefits card for charging fewer fees than most other states, but they object to another facet of the state's program: the revenue-sharing agreements that California and a handful of other states have negotiated with their bank partners. 'It's a bribe of the state on the back of the consumer,' Lauren ***Saunders****, a managing attorney at the* ***National Consumer Law Center****, which [issued a report] in May on state-issued debit cards (see map on this page). 'Some states have demanded revenue sharing, and that is completely unacceptable … they are profiting off the unemployed.'" [Click here for more.]*

The unemployment debit-card scandal
Felix Salmon (Reuters)
November 14, 2011

"Few people despise paper checks as much as I do. They're expensive, insecure, anachronistic, and dangerously reliant on the less-than-stellar delivery record of the US Postal Service. Recently, banks in my neighborhood have been swapping out their ATMs with new machines which read checks — something which must be a hugely expensive investment, for them, in a technology which deserves to be killed off with extreme prejudice. So I'm a great fan of the way in which states including Oregon, South Carolina, and California are doing away with the unemployment check. If you want unemployment benefits, have them directly deposited into your bank account. Or, if you're unbanked or otherwise don't want to do things that way, get your unemployment benefits on a prepaid debit card. …I'm sure the banks have been buttering the states up nicely. But let's hope the Consumer Financial Protection Bureau, or someone, steps in and brings some common sense to bear. Because right now those who can least afford debit-card fees are being essentially forced to incur them. And there's absolutely no reason why people getting unemployment benefits should have to worry all the time about debit-card fees and how to avoid them. Especially not when they already have bank accounts which their money could be going into directly." [Click here for more.]

New Consumer Agency Beefs Up Its Staff
Ben Protess (DealBook/NYT)
November 15, 2011

"The Consumer Financial Protection Bureau is going through a growth spurt. The agency, born out of the Dodd-Frank financial regulatory law, announced eight new hires on Tuesday, nabbing a few people from President Obama's White House staff. The new recruits will fill senior leadership spots, including top lawyers and the bureau's chief financial officer." Click here for more.

Click here to view the CFPB's press statement.

Richard Cordray

House Dems Urge McConnell to Allow CFPB Confirmation Vote
Kevin Wack (American Banker)
November 17, 2011

"A group of House Democrats is pressuring Senate Minority Leader Mitch McConnell to allow a vote on the confirmation of a director for the Consumer Financial Protection Bureau. In a joint letter released Thursday, 33 Democrats called on McConnell to allow a vote on the Senate floor on the nomination of Richard Cordray to lead the bureau. Cordray, the former attorney general of Ohio, is the bureau's enforcement chief. He was nominated in July and his nomination was approved by the Senate Banking Committee last month." Click here for more.

Click here to view the press release and letter.

Brown endorses Cordray to head consumer agency
Bobby Caina Calvan (Boston Globe)
November 14, 2011

"Senator Scott Brown of Massachusetts yesterday became the first Republican to back the nomination of Richard Cordray to lead the new Consumer Financial Protection Bureau — whose chief architect, Elizabeth Warren, is challenging Brown in his reelection bid next fall. The decision is a break from Republican leaders, GOP candidates for president, and rank-and-file members, who have denounced both the structure of the bureau and the overarching Dodd-Frank regime of government regulations on Wall Street. Early in the summer, 44 Republicans vowed to filibuster the nomination of any director unless the new bureau is overhauled and Congress is granted more oversight. Last week, Nevada Senator Dean Heller added his name to the list." Click here for more.

Collins to meet with consumer protection bureau nominee
Jonathan Riskind (Portland Press Herald)
November 16, 2011

"Sen. Susan Collins is going to meet Nov. 28 with Richard Cordray, President Obama's nominee to lead the recently formed consumer protection bureau, but the Maine Republican is giving no indication she is prepared to break with her party and support the former Ohio attorney general. "I am going to meet with him (Cordray) next week for the first time, but I am concerned that the Obama administration has yet to take any steps whatsoever to respond to concerns that many of us have about the structure of the new bureau," Collins told reporters on Capitol Hill Tuesday. "It is absolutely unacceptable that Congress has no ability to control the budget of the bureau. I think the administration needs to step forward and at least compromise on some of these issues." Click here for more.

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Shadow Markets and Systemic Risk

Congress denies CFTC budget boost as workload looms
Christopher Doering (Reuters)
November 17, 2011

"Congressional lawmakers refused to give the U.S. futures regulator the big budget boost that the White House had requested, limiting the agency's resources as it puts in place financial reforms and investigates bankrupt brokerage MF Global. Republicans and Democrats in the U.S. Congress on Thursday agreed to set the U.S. Commodity Futures Trading Commission's budget for fiscal 2012 at $205 million - $103 million less than what was requested by the Obama administration." Click here for more.

Gov't Shutdown Looms if 'Mini-bus' Isn't Passed
Michelle Hirsch (The Fiscal Times)
November 17, 2011

*"Even as the congressional Super Committee grapples with how to cut the 10-year deficit by another $1.2 trillion, a feisty tug-of-war is brewing on Capitol Hill over how to implement the $1 trillion in cuts enacted last August. Clear winners and losers are emerging from the fray. A bipartisan 'mini-bus' appropriations bill, which covers five key government agencies and could be voted on in the House later today, delivers blows to financial regulation, agricultural programs, the Census bureau, and state and local law enforcement. At the same time, it preserves or boosts spending for food safety and nutrition programs, scientific research, and the Federal Aviation Administration. … As expected, the mini-bus appropriations bill has drawn criticism from interest groups that support the agencies targeted for budget cuts. The Commodities Futures Trading Commission, for instance, is being asked to swallow a near one-third cut relative to what the Obama administration requested. The agency, charged with safeguarding investors in their futures and commodities trades, had a fiscal 2011 budget of about $170 million which President Obama wanted to hike to $308 billion to help implement parts of the Dodd-Frank financial overhaul legislation. CFTC officials and Wall Street reform advocates say the $35 million increase to $205 million for the CFTCis grossly inadequate to carry out the job of writing new rules for over-the-counter derivatives, as well as probing deceptive practices at investment firms such as MF Global Holdings. "The Dodd-Frank Act assigned massive new markets to CFTC oversight, leading to a 600 percent increase in the size of the CFTC's supervisory responsibilities," said **Lisa Donner**, executive director of **Americans for Financial Reform**. "The funding level just advanced by the Conference Committee would barely allow the CFTC to expand its current oversight resources and would not permit the agency to implement its new responsibilities." Click here for more.*

Need-To-Know Memo – Reform Advocates Outraged Over Proposed CFTC Cuts
National Journal
November 16, 2011

*"Financial reform advocates are up in arms over the House-Senate conference 'minibus' appropriations bill that would slash roughly one-third of what President Obama requested to fund the Commodity Futures Trading Commission for 2012 to $205.3 million, raising questions about how it will be able to enforce new financial regulations. 'This leaves the agency without the funding it needs to do its job and will make it impossible to implement key aspects of financial reform,' said **Lisa Donner**, the executive director for **Americans for Financial Reform**, in a press release. **Better Markets**, a public interest non-profit that supports financial reform argues such cuts are reckless and raise the question of how much the next crisis will cost taxpayers and the economy. 'Cutting those budgets and preventing [regulators] from doing their jobs all but guarantees another crisis,' it said in a blog post. 'The only question is when, not if, and then the question will be how big a bill will they stick the taxpayers with next time.'*

Policyshop.net Making Cheating Easier on Wall Street: CTFC Budget Cuts
David Callahan (Policy Shop)
November 15, 2011

"A basic reason that people break rules is that they believe they can get away with it. And you're more likely to think that you can cheat without consequence if you know that watchdogs won't bark, much less bite. This observation doesn't just jive intuitively with our understanding of human nature, it also squares with lived reality. Fewer police means more crime. No drug testing in baseball means an epidemic of steroid use. Rare audits mean more tax cheating. And so on." Click here for more.

Click here to view AFR's press statement on the CFCT budget freeze.

Excerpt:

> *"News reports indicate that House-Senate conference committee is cutting the administration's $308 million budget request for the Commodities Futures Trading Commission (CFTC) by one-third, to $205.3 million, a near funding freeze. This leaves the agency without the funding it needs to do its job and will make it impossible to implement key aspects of financial reform. This is not just a budget question: this is a question of whether Washington is serious about bringing oversight and reform to Wall Street at all."*

Better Markets - Big Wall Street Win; Main Street Loss
Better Markets
November 14, 2011

"Politico is reporting that a House-Senate conference committee is cutting the administration's $308 million budget request for the Commodities Futures Trading Commission (CFTC) by one-third, to $205.3 million, which is merely level funding. Of course, the CFTC's responsibilities under the new Dodd Frank regulatory reform law aren't level. In fact, massive new responsibilities were assigned to the CFTC to bring transparency, oversight and accountability to the $600 trillion derivatives markets, which were at the center of the 2008 Wall Street meltdown." Click here for more.

SEC charges Morgan Stanley with securities fraud
William Spain (MarketWatch)
November 16, 2011

"The Securities and Exchange Commission on Tuesday charged Morgan Stanley Investment Management with violations of securities laws for its scheme that charged a fund and its investors for advisory services they never got." Click here for more.

Johnson - Why Not Break-Up Citigroup?
Simon Johnson (The Baseline Scenario)
November 17, 2011

"Earlier this week, Richard Fisher – President of the Dallas Federal Reserve Bank – captured the growing political mood with regard to very large banks: 'I believe that too-big-to-fail banks are too-dangerous-to-permit.' Market-forces don't work with the biggest banks at their current sizes; they have great political power and receive almost unlimited implicit subsidies in the form of protection against downside risks – particularly in situations like now, with the European financial situation looking precarious. 'Downsizing the behemoths over time into institutions that can be prudently managed and regulated across borders is the appropriate policy response. Then, creative destruction can work its wonders in the financial sector, just as it does elsewhere in our economy.' Mr. Fisher is an experienced public official – and also someone with a great deal of experience in financial markets, including running his own funds-management firm. I increasingly meet leading figures in the financial sector who share Mr. Fisher's views, at least in private." Click here for more.

Dodd-Frank's Derivatives Reforms: Clear as Mud
Jesse Eisinger (ProPublica)
November 16, 2011

"When the architects of the Dodd-Frank regulatory overhaul flinched from the most effective solution — breaking up the banks so that none would be too big to drag down the financial system — they forced regulators of the derivatives market into a cumbersome and potentially dangerous workaround. Those regulators are feverishly making lots of important, arcane rulings that are being followed only by insiders. They are replacing an opaque system prone to failures with a new, huge Rube Goldberg-like system that may reduce global financial risk. Or it may not. Nobody knows, not least the regulators themselves." Click here for more.

Volcker Rule

House Democrats ask for tougher Volcker rule
Dave Clarke (Reuters)
November 16, 2011

*"A group of House Democrats are asking regulators to start over with a proposed ban on proprietary trading by banks, arguing the current proposal has too many loopholes. In a letter to Federal Reserve Chairman Ben Bernanke released on Wednesday, a group of 17 House Democrats said the draft rule unveiled last month should be scrapped and replaced with a more simple approach. … The letter also cites recent comments from Volcker himself that the rule may be too complex. At a November 9 event on the rule, however, Volcker's top aide, Tony Dowd, said the former Fed chairman is mostly supportive of the proposal, particularly the provision that lays responsibility for following the trading ban with senior management. Dowd said Volcker feels it is more complex than needed, only because the banking industry was successful in its efforts to have exemptions added to the law. 'From Mr. Volcker's standpoint I think he is hanging his hat on the strong wording of the general prohibition on prop trading and the accountability for senior management and boards of directors to implement the policy,' he said at an event hosted by **Americans for Financial Reform,** which supports the Volcker rule." Click here for more.*

Click here to view the letter.

Volcker conflict-of-interest rule too weak: Levin
Dave Clarke (Reuters)
November 11, 2011

*"U.S. regulators are not going far enough with the Volcker rule to prevent large banks from betting against their clients' interests, Senator Carl Levin said on Wednesday. Levin, who was instrumental in drafting the Volcker rule in last year's Dodd-Frank financial oversight law, said clients should have to acknowledge that a bank has disclosed to them that a conflict of interest may exist. …In particular, Levin found fault with language that allows banks to take positions that may conflict with their clients, so long as they disclose a possible conflict may exist. 'That's not nearly tough enough for me,' Levin said at an event examining the Volcker rule that was hosted by **Americans for Financial Reform**, a group critical of Wall Street banks." Click here for more.*

" Click here for more.

Morning Money Push Back: Volcker Edition
Ben White (Politico's Morning Money)
November 11, 2011

*" Pro-reform groups were not, ahem, too happy about the anonymous comments from a senior banker in M.M. suggesting the Volcker Rule as drafted goes beyond what the statute intended. ... John Carey, Communications Director for **Americans for Financial Reform** emails: 'Hard to believe that bankers have a better idea of what Congress intended than Senators Merkley and Levin, who drafted the Volcker Rule. Wall Street lobbyists seem to think that the impact of the rule is limited to taking the word 'proprietary' off traders' business cards. But read the statute - it clearly requires regulators to limit systemic risk from banks entire trading operations. After billions of dollars in losses at UBS from proprietary trades at what was supposed to be a 'hedging' desk, and after the failure of MF Global, is there any doubt that high-risk trading can bring down a financial firm?' ... **Better Markets spokesman Bill Swindell emails:** 'I thought Merkley and Levin should at the minimum been given their say before the anonymous banker got to open up for two graphs on why this country would be better off with less regulation and why Volcker is wrong. And that comes on top of what another anonymous source vouching for the U.S. Chamber's event said in three graphs on Wednesday in M.M. ... '[T]he industry quotes on Volcker were pretty pedestrian that they could have from talking points from industry groups. On the reform side, we can put our names with our comments on policy. On Volcker, Better Markets has been out in front saying that regulators should examine a firm's bonus pool because that shows where the money is being made or lost.'"*

Editorial: 'Volcker Rule' would check Wall Street's bad bets
USA Today editorial
November 16, 2011

"If Wall Street awarded titles of nobility, Jon Corzine would have been made a prince long ago. He rose to the top of Goldman Sachs, got rich, then headed into public service. After losing his bid to be re-elected as governor of New Jersey, he returned to finance last year, taking the helm of high-flying brokerage MF Global. So MF Global's recent ignominious collapse, brought on by Corzine's huge bets on European debt, raises a couple of questions. One, how could such an esteemed lord of high finance be such an idiot? And, two, have we learned nothing from the 2008 financial collapse? … In particular, the collapse of MF Global shows why the so-called Volcker Rule contained in the new law is so necessary and why banks are intent on gutting it. When it goes into effect next year, the provision, named after former Federal Reserve chairman Paul Volcker, will attempt to prohibit large banking institutions from making highly speculative investments, known as proprietary trading". Click here for more.

U.S. Chamber Calls for Re-Proposal and Delay of Volcker Rule
Press release
November 17, 2011

"In a letter sent today to the Federal Deposit Insurance Corporation (FDIC), Federal Reserve, Securities and Exchange Commission (SEC), and Office of the Comptroller of the Currency (OCC), the U.S. Chamber of Commerce called on the agencies to withdraw and re-propose the Volcker Rule when all agencies – including the Commodity Futures Trading Commission (CFTC) – join together in a joint rulemaking. The CFTC is currently in the midst of ongoing deliberations to finalize its position on implementation of the Volcker Rule. The Chamber also called for a 150-day comment period." Click here for more.*

Dunbar - The Volcker Rule and Barclays' UK Bear Hug
Nick Dunbar
November 15, 2011

"On Nov. 3rd, I attended the inaugural BBC Today Business Lecture, given by Bob Diamond, the chief executive of Barclays. The man who told the UK Treasury Select Committee that it was time to stop apologising for the financial crisis had been given an image makeover. Taking an ingratiating tone towards his audience of BBC worthies, MPs and journalists, Diamond used words like 'trust', 'citizenship' and 'responsibility'. Oozing contrition and sincerity, he peppered his speech with well-calibrated examples of Barclays helping business clients. Diamond seemed hurt when I stood up at the end and pointed out that Barclays' track record of selling over-complex products and exploiting opaque balance-sheet tricks made it hard to believe him. The more I thought about it, aside from the change in tone, there was not a great deal of difference between the unrepentant Diamond addressing the Treasury Committee and the contrite version lecturing the BBC. What did nag at me after the lecture was why he was taking the trouble: in particular, publicly disavowing any threat to move Barclays to the US. The answer came to me last week, when I visited Capitol Hill in Washington DC to give a presentation of my own on the implementation of the Volcker Rule, which bans proprietary trading by US banks. I was invited by the legislative counsel for Sen. Jeff Merkley, one of the architects of the original Volcker Rule bill, and… ***Americans for Financial Reform****." Click here for more.*

Frank Keating - Volcker Rule Is Irrelevant to MF Global Collapse
Frank Keating (Bloomberg op-ed)
November 17, 2011

"Schadenfreude is misplaced when considering the wreckage of a financial firm in today's weak economy. Yet empathy for the employees of MF Global Holdings Ltd. and the investors who owned its shares also is compatible with gratitude that no government agency came to the rescue. The policy of saving prominent firms from their mistakes has to end. The willingness of regulators to let a well- connected investment house suffer the consequences of investments gone bad signals that government bailouts are on the outs. That is as it should be. Every financial business -- bank or non-bank -- should succeed or fail by how efficiently and successfully it meets its customers' needs. Good regulation should reinforce that market discipline, not mute it." Click here for more.

Click here to view the agenda and presentations from AFR's 'Making the Volcker Rule Work' conference on Wednesday, November 9th.

MF Global

MF Global Is Said to Have Used Customer Cash Improperly
Azam Ahmed and Ben Protess (DealBook/NYT)
November 17, 2011

"MF Global improperly diverted customers' cash for its own use in the days before its bankruptcy, an act that regulators believe may help explain why $600 million of customer funds remains missing, people briefed on the investigation say. Investigators have now zeroed in on hundreds of millions of dollars in suspect borrowing at the commodities and derivatives brokerage firm, which at the time of its collapse was run by Jon S. Corzine, the former Democratic governor of New Jersey. At least some of that money was used to cover trading losses at MF Global, regulators suspect, meaning the money may no longer be simply missing. It may be gone." Click here for more.

Corzine Aide in Spotlight
Justin Baer and Aaron Lucchetti (WSJ – subscription required)
November 14, 2011

"Even before Jon S. Corzine had lured Bradley Abelow in September 2010 to serve as his top deputy at MF Global Holdings Ltd., the firm's chief executive was already saving key decisions for his trusted aide. 'Jon would even say, 'Wait until Brad gets here,'' said Peter Forlenza, who served as MF Global's global head of equities until last week. "It was almost like there was a messiah coming, and he was going to clean everything up." With MF Global now in bankruptcy court and Mr. Corzine having resigned, Mr. Abelow, who worked closely with his boss at the New Jersey statehouse and shared his Goldman Sachs pedigree, has been left to sort things out." Click here for more.

MF Global's collapse: a familiar tale of regulatory failure
Robert Mintz (The Guardian – UK)
November 11, 2011

"Two weeks ago, MF Global was hardly a household name, but its startling collapse is a sober reminder that whatever the root causes of the financial meltdown, they may not have been completely fixed. Indeed, in looking at the problems that may have played a role in the demise of MF Global, it is fair to ask: what have we really learned since we seemingly stood on the brink of economic collapse only three years ago? … Although MF Global is no Lehman Brothers, it is the largest Wall Street bankruptcy since the financial meltdown. More importantly, it appears to highlight a disturbing pattern that we've seen before: the cozy relationship between government regulators and those who are regulated; a tolerance of dangerously high degrees of leverage; and an alarming lack of accountability in the handling of client funds." Click here for more.

Timing Questions Emerge on MF Global Cash
Aaron Lucchetti and Scott Patterson (WSJ – subscription required)
November 15, 2011

"Hundreds of millions of dollars might have gone missing from customer accounts at MF Global Holdings Ltd. as far back as four days before the securities firm filed for bankruptcy protection, people familiar with the situation said Monday. The possibility of a shortfall in customer funds on Oct. 27 suggests problems might have emerged sooner than MF Global officials initially indicated to regulators and exchange operator CME Group Inc." Click here for more.

The Koch Brothers and MF Global - Friends to the End
Daniel Dicker (Huffington Post)
November 14, 2011

"So much about the collapse of MF Global, the international commodity firm, has revisited the worst sins of the 2008 financial meltdown. There's been outsized betting with other people's money using Wall Street created derivative instruments. Ongoing investigations now show that leverage in these wagers had even

eclipsed the worst of the Lehman failure. As in 2008, there's been the total lack of oversight from regulatory agencies, as customer funds were diverted and used as collateral for Corzine's wagers and 50,000 accounts are now being moved without the cash that they came in with." Click here for more.

U.S. Levels Subpoenas in Probe of MF Global
Delvin Barrett (WSJ – subscription required)
November 17, 2011

"Federal prosecutors in Chicago and New York have issued subpoenas in the probe of the collapse of MF Global Holdings Ltd., people familiar with the case said, a sign of an intensifying Justice Department criminal investigation as authorities try to track down about $600 million in client funds. Chicago U.S. Attorney Patrick Fitzgerald and New York U.S. Attorney Preet Bharara, regarded as two of most aggressive and high-profile federal prosecutors in the country, are using subpoenas to gather company records, the people familiar with the matter said." Click here for more.

International

Europe Strains Global Markets
Matt Philips and Min Zeng (WSJ – registration required)
November 18, 2011

"Global markets are showing some signs of stress not seen since the 2008 financial crisis amid alarm at the expansion of Europe's debt troubles. Strains appeared on both sides of the Atlantic. The cost for European banks to swap euros for dollars climbed to levels last seen in late 2008. Pressure also was felt in the U.S., where higher funding costs were registered in markets for commercial paper, interbank lending and securities repurchases, or repos, all key sources of short-term financing for banks and corporations. The two-year swap spread, a gauge of how market participants feel about the risk of ..." Click here for more.

Spain pushed to frontline of euro crisis
Victor Mallet in Madrid and Richard Milne and David Oakley in London (FT – registration required)
November 17, 2011

"Spain was thrust on to the frontline of the eurozone's debt crisis on Thursday as investors forced its borrowing costs sharply higher just three days ahead of a general election that opinion polls predict will topple the ruling Socialist party. The Spanish Treasury issued €3.6bn of 10-year bonds at an average yield of 6.975 per cent, their highest level since 1997 and one regarded as unsustainable." Click here for more.

Europe could be in worst hour since WWII: Merkel
Philip Pullella and Harry Papachristou (Reuters)
November 14, 2011

"German Chancellor Angela Merkel said on Monday that Europe could be living through its toughest hour since World War Two as new leaders in Italy and Greece rushed to form governments and limit the damage from the euro zone debt crisis. Financial markets on Monday took heart on relief that a key Italian bond auction drew decent demand from investors and hopes that new leaders in Greece and Italy would take decisive action to breathe new life into their sick economies." Click here for more.

Euro Risks Hit Banks
Liz Moyer, Brett Philbin and David Enrich (WSJ – subscription required)
November 14, 2011

"Mounting concerns over the euro-zone crisis are prompting some of the world's largest banks, including U.S. banks, to release more information about their exposure. Even so, the flow of new data has so far failed to put worries to rest, partly because of investor doubts about how well banks' hedging strategies might work in the event of a euro-zone financial shock. J.P. Morgan Chase & Co. and Goldman Sachs Group Inc., in regulatory filings this month, published tables detailing their exposures to Portugal, Ireland, Italy, Greece and Spain—figures they didn't include in previous quarterly filings. Morgan Stanley's third-quarter earnings report for the first time outlined European lending and trading positions in those five plus France." Click here for more.

Banks Face Funding Stress
David Enrich (WSJ – subscription required)
November 17, 2011

"European banks, increasingly concerned about their ability to access funding, are devising complex and potentially risky new deals that enable them to continue borrowing from the European Central Bank. The banks' moves, which include behind-the-scenes swapping of assets among financial institutions, could heighten risk across Europe's already fragile financial system, say some senior industry officials and regulators." Click here for more.

Goldberg - The Euro Zone Crisis Is Our Crisis, Thanks to Wall Street Banks
Steven Goldberg (for Kiplinger.com)
November 16, 2011

"Just three years after the worst financial crisis since the 1930s drove us to the brink of another Great Depression, the Wall Street bankers who caused the catastrophe again threaten the global economy. What's more, they're doing it by making almost the exact same mistakes that triggered the earlier meltdown. This time, instead of gross negligence with securities and derivatives based on rotten U.S. mortgages, the big bankers have tied us to shaky debt and derivatives in Europe. Specifically, it's the financial web that surrounds Portugal, Ireland, Italy, Greece and Spain. The PIIGS are at the center of a toxic mix of bonds and of credit default swaps -- derivatives that are supposed to protect bondholders from default." Click here for more.

Is Bank of America Gambling on Resurrection (or Is BoA Holding the US Hostage)?
Adam Levitin (CreditSlips.com)
November 11, 2011

"What would you do if you were running an insolvent company? The smart thing is to bet big: go with a high-risk/high-return strategy. If the gamble pays off, you're solvent, and if not, well, you're already insolvent. You're playing with the creditors' money. (And without a tort of deepening insolvency, there really isn't a clear downside for management.) This is gambling on resurrection. We've seen the disastrous results of banks gambling on resurrection. That was the S&L crisis. Rising interest rates in the late '70s decapitalized the S&Ls as the S&Ls' assets were long-term, fixed rate mortgages that paid lower rates than the S&Ls had to pay depositors. The S&Ls, however, got a pliant Congress to agree to massive deregulation that allowed them to expand into all sorts of new business lines, like commercial real estate and race horses and junk bonds. Insolvent S&Ls went chasing high risk/high return projects. The result was that the tab for taxpayers to fix the S&L mess was significantly greater." Click here for more.

Click here to view remarks from CFTC Chairman Gary Gensler before the University of Chicago Law School on Wednesday.

Obama banking nominees could be confirmed soon
Dave Clarke (Reuters)
November 17, 2011

"President Barack Obama moved a step closer on Thursday to getting his picks for top U.S. bank regulators in place when a key Republican said he supports advancing three of the nominees. Banking agencies have been operating without permanent heads for months, despite making big decisions on how to write reforms in the aftermath of the 2007-2009 financial crisis. The nomination last month of former Kansas City Federal Reserve Bank President Thomas Hoenig for a banking post appears to have cleared the way for the Senate to move forward soon on a package of nominees. On Thursday, Senator Richard Shelby, the top Republican on the Banking Committee, said he supports holding votes on the president's choices to lead the Federal Deposit Insurance Corp and the Office of the Comptroller of the Currency." Click here for more.

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Foreclosures and Housing

High Court Will Take Up Fair Lending Case
Kate Davidson (American Banker – subscription required)
November 7, 2011

"The Supreme Court said Monday it will take up a case to decide whether an individual may allege discrimination under the Fair Housing Act based solely on the impact of a policy, rather than the intent. The case is being closely watched by the banking industry as the Justice Department continues to target lenders for fair lending violations resulting from policies that had a disparate impact on a group of borrowers. The industry has argued that the Fair Housing Act does not permit claims of discrimination if there was no intent to discriminate. In the case of Gallagher v. Magner, a group of landlords alleged that officials in St. Paul, Minn., targeted rental properties for housing code violations, which increased the burden on property owners and had a disparate impact on African-American tenants. The Eighth Circuit Court in Minnesota upheld the landlords' claim, even though there was no evidence that the city intended to discriminate." Click here for more.

DOJ - Department of Justice Announces Compensation for Servicemembers as Part of Settlement with Bank of America
DOJ press release
November 15, 2011

"The Justice Department announced today that, as part of its settlement with BAC Home Loans Servicing LP, a subsidiary of Bank of America Corporation, servicemembers whose homes were unlawfully foreclosed upon will each receive a minimum $116,785 plus compensation for any equity lost to compensate them for the bank's alleged violation of the Servicemember Civil Relief Act (SCRA)." Click here for more.

Foreclosure Fraud: First Criminal Charges Filed In Nevada Over Robo-Signing
Arthur Delaney and Loren Berlin (Huffington Post)
November 17, 2011

"The Nevada attorney general has indicted two midlevel staffers at a mortgage document company, Lender Processing Services, on a whopping 606 counts of felony and gross misdemeanor for directing employees to forge signatures and falsely notarize documents used to illegally foreclose on Nevada homeowners." Click here for more.

CRL - "Lost Ground:" CRL Research Shows Foreclosure Crisis Not Halfway Over, Offers Breakdown By State, Race, Borrower Income
Center for Responsible Lending
November 17, 2011

*"2.7 million of the mortgages made at the height of the housing bubble have ended in foreclosure and at least another 3.6 million likely will fail in the next few years, a new CRL research report shows. That means the nation is not yet midway through a foreclosure crisis that mires the economy. The report—*Lost Ground, 2011*—finds that while most people who have lost their homes have been white and in middle- or higher-income brackets, African-American and Latino families have suffered a disproportionate share of losses. The research also shows that differences in income and credit history don't explain why communities of color have been harder hit—but predatory mortgages do. To read the full report go to http://rspnsb.li/vNtV2t"*

Loan Backer's Cash Runs Low
Nick Timiraos (WSJ – subscription required)
November 15, 2011

"The Federal Housing Administration's cash reserves have fallen so low that there is a 'close to 50%' chance the agency could run out of money and require a taxpayer bailout in the next year, according to the annual independent audit of the FHA's finances. The audit, to be released Tuesday by the FHA, estimated that the value of the agency's reserves stood at $2.6 billion as of Sept. 30, down 45% from an already low $4.7 billion last year. The drop reflects the impact of rising home-loan defaults amid falling home prices, which together generate greater losses on the sale." Click here for more.

Counselors helping homeowners avoid foreclosure scarce
Mark Davis (The Kansas City Star – MO)
November 11, 2011

"Debara Anderson nearly lost her fight against foreclosure. Behind on payments, Anderson called her lender and asked for a mortgage modification. She seemed close to getting a loan she could afford when the process bogged down. 'I was so frustrated,' the 47-year-old Kansas City resident said. "I had started packing my stuff up, and I was going to walk away, because fighting with the mortgage company is so hard." Click here for more.

Mortgage Servicers Struggle to Create Foreclosure Remediation Plan
Kate Davidson (American Banker – subscription required)
November 10, 2011

"Regulators have identified how borrowers may have been harmed by a multitude of foreclosure errors, but they are largely leaving it to the servicers and their consultants to figure out how to fix it. While the regulators will ultimately approve any remediation plan as part of the independent foreclosure review, they have encouraged the independent consultants to work with the 14 servicers to come up with a template for remediation. The group is meeting in Washington this week to hash out more details, but sources familiar with the process say competing interests from large and small servicers — and strong differences of opinions about how to compensate borrowers — will make it difficult to achieve consensus. Some suggested federal regulators will have to be more explicit about what they will approve." Click here for more.

California attorney general's office subpoenas Fannie, Freddie
Alejandro Lazo and Jim Puzzanghera (Los Angeles Times)
November 16, 2011

"Reporting from L.A. and Washington— Investigators with the California attorney general's office have subpoenaed information from mortgage titans Fannie Mae and Freddie Mac as part of a wide-ranging inquiry into lending and foreclosure practices in the state. The subpoenas ask the government-controlled finance companies to answer a series of questions about their activities in California, including their roles as landlords who own thousands of foreclosed properties. The attorney general's office is also seeking details of Fannie and Freddie's mortgage-servicing and home-repossession practices, according to a person familiar with the matter." Click here for more.

Fannie, Freddie chiefs defend pay packages
Margaret Chadbourn (Reuters)
November 16, 2011

"Top executives at Fannie Mae and Freddie Mac on Wednesday defended their companies' pay practices from attack by lawmakers angry that the government-controlled firms were paying out nearly $13 million in executive bonuses. The chief executives of Fannie Mae and Freddie Mac's argued the compensation structures at the mortgage finance firms were needed to retain and attract qualified staff. A bill to block the pay packages was approved by the House Financial Services Committee on Tuesday in a 52-4 vote. The full House must still vote on the measure. A similar bill has been introduced in the Senate." Click here for more.

Click here to view/read testimony from Senate Committee on Banking, Housing, and Urban Affairs hearing entitled "Oversight of the Federal Housing Finance Agency" and/or **click here** to view/read testimony from a House Committee on Oversight and Government Reform hearing entitled "Pay for Performance: Should Fannie and Freddie Executives Be Receiving Millions In Bonuses?"

Fannie and Freddie to cut fees and liabilities
Tom Braithwaite and Shahien Nasiripour in New York (FT – registration required)
November 16, 2011

"Fannie Mae and Freddie Mac, the government-backed mortgage guarantors, said on Tuesday that they would reduce fees and relieve lenders from some liability on home loans as part of a scheme to lower the cost of borrowing to distressed homeowners. The Obama administration has revamped the home affordable mortgage programme (Harp) in a bid to make it easier for borrowers to refinance at lower rates. As part of

the new guidelines, Fannie and Freddie have agreed not to demand banks compensate them for loans that later prove to have breached underwriting guidelines." Click here for more.

After Banks' Mistakes, Homeowners Pick Up Pieces
Chris Arnold (NPR's All Things Considered)
November 17, 2011

"Attorney Gary Klein in Boston is suing the largest U.S. banks on behalf of thousands of homeowners whom he says the banks wrongfully pushed into foreclosure. Federal regulators have announced the start of a nationwide review of foreclosures by the nation's largest banks. The goal is to reach homeowners who have been treated unfairly or who lost their house when they shouldn't have. Banks have started mailing out letters to upwards of 4 million homeowners. The regulators have ordered the banks to find people who have suffered financial harm due to the banks' mistakes, and to offer 'remediation.' Click here for more.

GSEs release guidance on HARP changes
Jon Prior (Housing Wire)
November 15, 2011

*"**Fannie Mae** and **Freddie Mac** released specific guidance Tuesday on how mortgage servicers and lenders will be implementing changes to the Home Affordable Refinance Program to help more underwater borrowers move into lower-rate loans. In October, the Obama administration and the **Federal Housing Finance Agency** said the mortgage giants would lift [1] the loan-to-value ratio cap, along with certain appraisal requirements, upfront loan-level price adjustment fees, and representation and warranties risk for participating lenders. The program will be extended through Dec. 31, 2013." Click here for more.*

Sucher - New York's Own Foreclosure Justice League
Joel Sucher (American Banker)
November 14, 2011

"The scene is set, cameras set to roll. A dusty town, streets strewn with tumbleweed. A few badge-wielding cowboys stand shoulder to shoulder, contemplative, hands on six guns… waiting. Suddenly, in the distance, a roar; and what appear as specks in the distance soon materialize as bad guys on horseback headed full throttle for a fateful confrontation. A scene from 'High Noon'? 'Gunfight at the O.K. Corral'? No, it's my cinematic metaphor for what's playing out in courtrooms and boardrooms in New York State, where three men are standing up, on behalf of embattled homeowners, to the forces of an industry with powerful allies in the Obama administration – an industry intent on forgetting that the ongoing foreclosure crisis affects real people, real lives and real families. I offer New York's own version of the Justice League of America." Click here for more.

HAMP chief to leave Treasury
Jon Prior (HousingWire)
November 17, 2011

*"Phyllis Caldwell will leave her post as the chief of the Homeownership Preservation Office at the **Treasury Department** Dec. 9, according to an internal email obtained by HousingWire. Caldwell arrived shortly after the launch of the Home Affordable Modification Program in March 2009. She managed the development of the program from those early stages." Click here for more.*

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Executive Compensation

GMI's executive pay scorecards shows failing grades
Aarti Maharaj (Corporate Secretary)
November 14, 2011

"Compensation committees are continuing to cringe as they try to determine what level of pay increases will be acceptable for executives. But not many companies have been successful in adjusting their pay structures to incorporate pay for performance metrics. According to a study by Governance Metrics

International (GMI), the independent governance and ESG research and ratings firm, 102 (22.3 percent) of 456 S&P 500 companies were rated as high concern because of their ineffective pay practices. Just 89 (19.5 percent) came in as a low concern. Some of the companies with the worst grades in GMI's executive pay scorecards are Yahoo!, Prudential Financial, Abercrombie & Fitch, Aetna, and Constellation, Teradyne, Moody's, Nabors Industries, Medtronic and Zimmer Holdings. 'Our scorecards flag poor practice at a company, regardless of whether it is an industry-wide issue, such as the size and structure of executive pay packages in the financial sector, which encouraged excessively risky decisions that pushed the markets to the brink of disaster in 2008,' says Paul Hodgson, senior research associate at GMI." Click here for more.

Credit Suisse Changes Compensation Practices
Susanne Craig (NYT)
November 16, 2011

"All signs suggest bonuses on Wall Street will be lower this year. But on Monday, employees at Credit Suisse Group received some good news: less of their compensation will be deferred to future years. The firm said in a memo that staff members with total compensation of 250,000 Swiss francs would see any compensation above this level deferred to future years. Previously, any bonus above 50,000 Swiss francs was deferred. A person briefed the matter said an equivalent threshold would apply for employees paid in dollars. The vesting period for deferred compensation is being reduced by one year, to three years. These changes will result in roughly 90 percent of employees getting more cash when the firm's 2011 bonuses are paid out in early 2012, according to the person briefed on the matter, who spoke on condition of anonymity." Click here for more.

Save the Date *(see 'Upcoming Events' for more)*

Americans for Financial Reform invites you to a conference on **Executive Pay and the Dodd-Frank Wall Street Reform and Consumer Protection Act Monday, December 12, 2011 1:30-5:30 p.m.** AFL-CIO Gompers Room 815 16th St., N.W. Washington, DC

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Student Lending

Consumer agency turns eye to private student loans
AP
November 16, 2011

"Private student loans are coming under federal scrutiny. The Consumer Financial Protection Bureau, a federal agency that opened for business this summer, is asking the public for feedback on issues borrowers may run into with private student loans. The information will be used to prepare a report to Congress on private student lending. The Dodd-Frank Wall Street Reform and Consumer Protection Act passed in 2010 mandates the report, which is due by July 2012." Click here for more.

Click here to read the CFPB's press statement.

Occupy Student Loans
Libby Nelson (Insider Higher Ed)
November 15, 2011

"A prominent (if disputed) criticism of the Occupy Wall Street movement has been its amorphous, platform-free nature. But as the protests that began in New York in September have continued, spreading across the United States and the world, one clear issue of concern has emerged: student loan debt. On the movement's unofficial manifesto, the 'We Are the 99 Percent' Tumblr blog, young adults hold handwritten signs with their personal stories. More often than not, they include tens of thousands of dollars of debt and, the former students write, little hope for good job opportunities."

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FTT

Eskow - It's Simple: You're Either For the Bank Tax or You're For the Banks
Richard (RJ) Eskow (Huffington Post)
November 8, 2011

"There's talk that the president and other elected officials will try to tap the Occupy Wall Street movement's energy to boost their campaigns. It's good to see the rhetoric finally moving in the right direction. Even better, now there's an easy way to prove it isn't just election-year lip service: They can support the financial transactions tax being introduced in the Senate. That should please the self-described 'deficit hawks,' since it will put an estimated $350 billion on the government's books. But the best thing about this tax might not even be the money. The best thing about it is that it just might help prevent the next financial crisis. This tax helps the public ask its leaders a simple question: Are you for the banks, or are you for us?" Click here for more.

Editorial: DeFazio's transaction tax
The Register-Guard (Eugene, OR)
November 14, 2011

*"At a time when Congress is struggling to chart a path out of the country's economic morass, lawmakers should give a hard look to Rep. Peter DeFazio's proposal for a financial transactions tax. DeFazio and Sen. Tom Harkin, D-Iowa, call for a modest tax on stock and bond trades that would raise more than $350 billion over eight years, according to a new analysis by the congressional Joint Committee on Taxation. Those are big-time dollars that could be used to help reduce the deficit and to pay for badly needed job creation efforts. … DeFazio has introduced similar proposals in recent years that have gone nowhere. But his latest version of the transaction tax has significant support, including the backing of more than 200 economists. The concept also has the support of business leaders such as Bill Gates, Warren Buffett and John Bogle, as well as labor and consumer organizations such as the **AFL-CIO** and **Americans for Financial Reform**." Click here for more.*

Catholics United - Pope to Boehner: Tax Wall Street
Catholics United e-alert to activists
November 17, 2011

"Isn't interesting that whenever the Vatican says something that conservative Catholics don't like, they do everything they can to undermine that teaching? This happened recently when the Pontifical Council for Justice and Peace issued a far ranging document on the need to better regulate world financial markets. Instead of supporting the document, leading conservatives did everything they could to undermine it. And the statement from the Vatican comes at an important economic moment for America. The world financial crisis started when American financial institutions made irresponsible wagers. Their behavior shook confidence in the market and resulted in stagnant wages and high levels of unemployment. And because of the lack of economic growth, Congress is now balancing the budget by making huge cuts to programs that serve the poor and vulnerable. If the American people are being asked to make historic sacrifices, shouldn't the Wall Street banks, who caused the crisis in the first place, be asked to pay their fair share?" Click here for more.

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Interchange

Banks Likely to Look For New Ways to replenish revenues
Laurie Winslow (Tulsa World – OK)
November 13, 2011

"Now that several large banks have backed away from planned monthly debit card fees, many consumers will be watching carefully to see where future fees may unfold. As heightened rules and regulations squeeze banks, many must look for ways to recoup anticipated lost revenue. 'This is great news for consumers, but this is not the end of new fees,' Bill Hardekopf, CEO of LowCards.com, stated in an emailed comment. 'Banks are still losing billions of dollars in revenue from the interchange fee regulations.'" Click here for more.

The $5 Fee Heard 'Round the World
DR (US News Money)
November 11, 2011

"The $5 monthly fee that Bank of America planned to impose on debit card users has sparked a major backlash among consumers. The reaction was so strong that B of A reversed course, announcing that it would not levy the $5 fee after all. And this was not an isolated incident, as the likes of SunTrust, Wells Fargo, and Regions Financial Corp. also tested the waters on debit card fees." Click here for more.

Credit card issuers raise rewards for holiday shopping season
Linda Stern (Reuters)
November 11, 2011

"Credit card issuers are bumping up their rewards for the holiday shopping season as they seek to lure consumers away from debit cards and competitors. For shoppers with decent credit scores, this can provide the opportunity to pick up extra cash or miles while they do their gift shopping. 'The rewards have become very, very attractive in terms of cash back and travel,' said Bill Hardekopf of LowCards.com. 'Issuers have stepped up the rewards because it's now more lucrative for the banks for you and me to use our credit cards instead of our debit cards.' Debit card interchange fees - the amount that retailers pay to card issuers when the cards are used - were capped on October 1, 2011, when the Durbin amendment to the Dodd-Frank financial reform legislation took effect. 'Rewards have been generous, in general, because issuers are trying to get back consumers they lost in the recession,' said Beverly Blair Harzog, a credit card expert with Credit.com. 'I'm particularly seeing a lot of cash-back bonuses.'" Click here for more.

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Other

Middle-Class Areas Shrink as Income Gap Grows, New Report Finds
Sabrina Tavernise (NYT)
November 15, 2011

"The portion of American families living in middle-income neighborhoods has declined significantly since 1970, according to a new study, as rising income inequality left a growing share of families in neighborhoods that are mostly low-income or mostly affluent. The study, conducted by Stanford University and scheduled for release on Wednesday by the Russell Sage Foundation and Brown University, uses census data to examine family income at the neighborhood level in the country's 117 biggest metropolitan areas." Click here for more.

Federal Prosecution Of Financial Fraud Falls To 20-Year Low, New Report Shows
Alexander Eichler (Huffington Post)
November 15, 2011

"Public mistrust for banks may be at an all-time high, but federal prosecution for certain financial crimes is down to a 20-year low. The federal government is on track to file just 1,365 prosecutions for financial institution fraud in fiscal year 2011, according to a new report from a watchdog group. That would be the lowest number of such prosecutions in at least two decades." Click here for more.

Ritholtz - What caused the financial crisis? The Big Lie goes viral.
Barry Ritholtz (Washington Post)
November 5, 2011

"I have a fairly simple approach to investing: Start with data and objective evidence to determine the dominant elements driving the market action right now. Figure out what objective reality is beneath all of the noise. Use that information to try to make intelligent investing decisions. But then, I'm an investor focused on preserving capital and managing risk. I'm not out to win the next election or drive the debate. For those who are, facts and data matter much less than a narrative that supports their interests. One group has been especially vocal about shaping a new narrative of the credit crisis and economic collapse: those whose bad judgment and failed philosophy helped cause the crisis. Rather than admit the error of their ways — Repent!

— these people are engaged in an active campaign to rewrite history. They are not, of course, exonerated in doing so. And beyond that, they damage the process of repairing what was broken. They muddy the waters when it comes to holding guilty parties responsible. They prevent measures from being put into place to prevent another crisis. … Wall Street has its own version: Its Big Lie is that banks and investment houses are merely victims of the crash. You see, the entire boom and bust was caused by misguided government policies. It was not irresponsible lending or derivative or excess leverage or misguided compensation packages, but rather long-standing housing policies that were at fault. Indeed, the arguments these folks make fail to withstand even casual scrutiny. But that has not stopped people who should know better from repeating them." Click here for more.

Republican Gets Serious Look for Fed Board Spot
David Wessel (WSJ – subscription required)
November 14, 2011

"The White House, which has been looking for months for a Republican for one of the two vacancies on the Federal Reserve Board, is seriously considering a fo
Jerome Powell, 58, worked on Wall Street before joining the Treasury in 1990 and eventually became undersecretary for domestic finance
-
" Click here for more.

One Secret Buffett Gets to Keep
Andrew Ross Sorkin
November 14, 2011

"The Securities and Exchange Commission usually doesn't let investors keep many secrets. Except if you're a major player like Warren Buffett. On Monday, Mr. Buffett disclosed that his company, Berkshire Hathaway, had bought a 5.5 percent stake in International Business Machines, his first big investment in a technology company ever. But Mr. Buffett didn't build his $10 billion-plus stake in I.B.M. overnight. He started buying eight months ago, beginning in March. You wouldn't have known that if you had been studiously reading Berkshire Hathaway's filings — known as 13Fs — in which companies must disclose stock holdings. There was no mention of I.B.M. in Berkshire's quarterly filing in April, nor in August. Instead, if you were looking carefully, you might have found an odd footnote that said: 'Confidential information has been omitted from the form 13F and filed separately with the commission.' Translation: Mr. Buffett received special permission from the S.E.C. to keep secret his investment in I.B.M. — and possibly keep secret stakes in other companies that he is building positions in that we have yet to learn about." Click here for more.

Timothy Geithner's Best Asset: Everybody Hates Him
Daniel Indiviglio (The Atlantic)
November 14, 2011

"If you're a conservative, then you probably have no love for Treasury Secretary Timothy Geithner. He wanted to end the Bush tax cuts for the rich in 2010. You might think his foreclosure prevention plan was a mess. But if you're a progressive, then you probably don't love the guy either. He wasn't particularly aggressive in pursuing cramdowns or principal reductions for struggling homeowners. He also doesn't tend to be too hard on the banks. So who does like Geithner? President Obama must -- he worked to ensure that Geithner wouldn't resign earlier this year when his family moved back to New York. It isn't hard to see why: Geithner is a rare breed of high-level official who looks for practical solutions without letting politics get in the way. Jackie Calmes at the New York Times highlights the president's surprising unwavering desire to keep Geithner around as other economic advisors departed over time." Click here for more.

Gingrich Said to Be Paid at Least $1.6 Million By Freddie Mac
Clea Benson and Dawn Kopecki (Bloomberg)
November 17, 2011

"Newt Gingrich made between $1.6 million and $1.8 million in consulting fees from two contracts with mortgage company Freddie Mac, according to two people familiar with the arrangement. The total amount is significantly larger than the $300,000 payment from Freddie Mac that Gingrich was asked about during a Republican presidential debate on Nov. 9 sponsored by CNBC, and more than was disclosed in the middle of congressional investigations into the housing industry collapse." Click here for more.

U.S. boosts estimate of auto bailout losses to $23.6B
David Shepardson (Detroit News Washington Bureau)
November 14, 2011

"The Treasury Department dramatically boosted its estimate of losses from its $85 billion auto industry bailout by more than $9 billion in the face of General Motors Co.'s steep stock decline. In its monthly report to Congress, the Treasury Department now says it expects to lose $23.6 billion, up from its previous estimate of $14.33 billion." Click here for more.

Driving 2010: Private Equity Gears for Battle
Ben White (Politico's Morning Money)
November 18, 2011

"M.M. spent some time yesterday with a pair of smart private people who noted that the industry, which has spent decades trying to shed is corporate raider image, is girding for an ugly 2012 in which it expects to get constantly ripped by the Obama campaign and allied Democratic groups as representative of everything wrong with the current economic system. This fear assumes that Mitt Romney is the GOP nominee and that the former Massachusetts governor's career at Bain Capital becomes a center-piece of Democratic efforts to re-elect the President. The industry fears that years of effort to highlight private equity groups as job creators and company-fixers could get wiped out under a wave of advertising presenting them as "strip and flip" greed merchants. The big hope is that the Romney campaign will be effective in defending Bain and the industry both in advertising and debate performances. It's a critical time for the private equity heading into 2012 as it faces the prospect of increased regulation and taxation and as more big players look to stage public offerings, which would be a tougher sell in the face of successful demonization."

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Upcoming Events

Save the Date

Americans for Financial Reform invites you to a conference on **Executive Pay and the Dodd-Frank Wall Street Reform and Consumer Protection Act Monday, December 12, 2011 1:30-5:30 p.m.** AFL-CIO Gompers Room 815 16th St., N.W. Washington, DC

RSVP: www.aflcio.org/afrconference

Opening Remarks by AFL-CIO President **Richard Trumka** Confirmed speakers include: **Robert J. Jackson Jr.**, Associate Professor, Columbia Law School, and former Senior Advisor to Treasury Department on Executive Compensation and Corporate Governance **William K. Black**, Associate Professor of Economics and Law, the University of Missouri, Kansas City, and former Litigation Director, Federal Home Loan Bank Board **J. Robert Brown Jr.**, Professor, Sturm College of Law, University of Denver **Sarah Anderson**, Global Economy Project Director, Institute for Policy Studies **Anne Sheehan**, Corporate Governance Director, California State Teachers' Retirement System **Eleanor Bloxham**, CEO of The Value Alliance and Corporate Governance Alliance, and columnist Fortune.com **John Keenan**, Corporate Governance Analyst, American Federation of State, County and Municipal Employees **For more information and to RSVP, visit www.aflcio.org/afrconference.**

SEC

No pertinent meetings scheduled as of 11/18/11

CFTC

No pertinent meetings scheduled as of 11/18/11

Capitol Hill

The House and Senate are not in session next week.

From CFA:

1. **You are invited to attend CFA's Eighth Annual Consumer Advocates' High-Cost Credit and Payday Loan Summit on Wednesday, November 30 in Washington, DC.** This is a great opportunity to meet with state and national advocates from around the country to learn the latest on research, industry developments, enforcement, and advocacy in the fight against predatory small lending. The Summit features a town-hall meeting with Rick Hackett and staff from the Consumer Financial Protection Bureau as well as expert speakers from national and state groups, enforcement agencies and law schools. Everyone contributes to the learning at the Summit. We hope you can join us.

   If you have new reports, advocacy pieces, cartoons, testimony ---- anything you would like to share with everyone, please send either the document or URL to Sean Naron at CFA, snaron@consumerfed.org. Deadline for registration and notebook submissions is Thursday November 17!

2. The Consumer Federation of America invites you to participate in our twenty-fourth annual Financial Services Conference, which will be held December 1-2, 2011, at the Embassy Suites Convention Center Hotel in Washington, DC. Congressman Barney Frank, Congresswoman Judy Biggert, SEC's Chairman Mary Schapiro and David Wessel, Bureau Chief of the Wall Street Journal, have already accepted our invitations to give keynote addresses.

   For more information about conference issues, see the attached brochure. For further information on the conference and to register online, please use the link below: Go to website

From NCLC:

Preemption of State Consumer Protection Laws: Dodd-Frank Changes and the New (Old) Barnett Standard

Join us for a Webinar on November 29
Preemption of State Consumer Protection Laws: Dodd-Frank Changes and the New (Old) Barnett Standard
Tuesday, November 29, 2011
2:00 PM - 3:30 PM EST

Space is limited. Reserve your Webinar seat now at: https://www1.gotomeeting.com/register/934176400

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 limited but did not eliminate the ability of federal bank regulators to insulate national banks and federal savings associations from state laws that protect consumers from abusive banking practices. Whether Dodd-Frank made a significant change in preemption or continued the status quo is a topic of some controversy. This session will review the Dodd-Frank changes, the newly revised preemption regulation from the Office of the Comptroller of the Currency, the meaning of the Supreme Court's pivotal 1996 Barnett decision, and the battle that is already starting to play out in the courts.

Speakers: Lauren Saunders & Andrew Pizor of the National Consumer Law Center

Additional sponsorship for this Webinar is provided by a grant from the Administration on Aging. This webinar is part of a series of National Elder Rights Training Project webinars for the National Legal Resource Center. There is no charge for this webinar. All time listings are in Eastern Standard Time. If you have any questions email trainings@nclc.org. After registering you will receive a confirmation email containing information about joining the Webinar. System Requirements - PC-based attendees - Required: Windows® 7, Vista, XP or 2003 Server and Macintosh®-based attendees - Required: Mac OS® X 10.5 or newer.