THIS WEEK IN WALL STREET REFORM

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CFPB and Consumer Issues

Richard Cordray Appointment

Reid: Cordray appointment will stand
Seung Min Kim (Politico)
January 15, 2012

"Senate Majority Leader Harry Reid is sure that President Barack Obama's appointment of Richard Cordray to lead the Consumer Financial Protection Bureau will withstand any challenges.'I am confident that the president's recess appointments will be held up in the courts,' Reid said Sunday on NBC's 'Meet the Press.' 'I think without any question that will be the case.' Obama's move to install Cordray at the agency has outraged congressional Republicans, who have called it a 'power grab' and an overreach of executive power. But Reid defended the appointment of Cordray at the CFPB and the appointment of three members to the National Labor Relations Board." Click here for more.

GOP looks to limit CFPB, NLRB powers in reaction to 'recess' appointments
Pete Kasperowicz (The Hill)
January 18, 2012

"Rep. Jeff Landry (La.) and 20 other House Republicans introduced legislation this week that would limit the authority of the Consumer Financial Protection Bureau (CFPB) and the National Labor Relations Board (NLRB) to operate as long as they are headed by appointees who were recess-appointed while the Senate was not in recess. The bill is a reaction to President Obama's Jan. 4 appointment of Richard Cordray to head the CFPB, and three other appointees to the NLRB. Republicans in both the House and Senate said these appointments were an illegal power grab, as the Senate was not in recess, and instead was holding pro forma sessions every few days." Click here for more.

Editorial - Wall Street gets a sheriff
McClatchy-Tribune News Service
January 17, 2012

"The following editorial appeared in the Miami Herald on Monday, Jan. 16: Eighteen months after Congress passed a financial regulation act, President Obama cleared the way for the Consumer Financial Protection Bureau to do its job, but he had to resort to a recess appointment that's raising Republican hackles on Capitol Hill. The appointment of Richard Cordray to become the so-called sheriff of Wall Street is good news for consumers. It allows the agency to exercise its full authority to regulate non-bank financial companies - payday lenders, credit bureaus and the like. The law places authority for enforcing nearly 20 consumer financial laws under one roof and allows consumers to comparison shop for credit cards and related financial activities." Click here for more.

Consumer Issues

Payday loan defenders try intimidating churches
Barb Shelly (Kansas City Star)
January 16, 2012

"The payday loan industry is looking a bit desperate in its attempt to derail an initiative petition in Missouri seeking to more strictly regulate short-term lending. This week, a law firm in Grapevine, Texas, of all places, sent a letter to some Kansas City area churches, issuing dark and dishonest warnings about the perils of getting involved in the movement to clamp down on businesses that can legally charge interest rates of up to 1,950 percent for a loan. The initiative petition drive to change state law and set a cap of 36 percent on the annual percentage rate of a short-term loan is being led by faith-based and community groups in Missouri." Click here for more.

Analysis: U.S. payday lenders point fingers to blunt crackdown
Alexandra Alper (Reuters)
January 18, 2012

*"Payday lenders gathered an array of supporters at a hearing hosted by the Consumer Financial Protection Bureau, trying to sell the new agency on the benefits of the controversial short-term, high-interest loans. The CFPB, which recently gained the power to oversee the industry, held the event on Thursday in Alabama - the state with the highest number of payday lenders per person. A call went out from Advance America, the country's largest payday lender, on a website for neatly dressed, articulate and positive customers. Supporters packed the room to tell tales of how short-term lending products have helped them get by. Consumer groups for decades have called payday loans 'debt traps' that hook the poorest in an endless cycle of mounting interest payments.Until recently, payday lenders faced a patchwork of state regulations to try to protect consumers from deceptive or predatory practices in the industry. With President Barack Obama's appointment of Richard Cordray earlier this month to head the CFPB, the agency gained new powers to write rules that govern the short-term loans. Cordray told the hearing that the agency will take a measured approach to the industry. 'We came here to listen, to learn, and to gather information on the ground that will help inform our approach to these issues. We are thinking hard about these issues, and we do not have all the answers worked out by any means,' he said. …Opponents painted the payday and title loan industry as exploiters who took advantage of the poor. Shay Farley of the non-profit **Alabama Appleseed** calculated the $17.50 average charge on $100 for two weeks as a 460 percent annual interest rate. 'It is usury, and in the Bible Belt, that should be offensive to us,' said Farley. Another opponent, Stephen Stetson from **Alabama Arise**, another non-profit, compared payday lenders to Hurricane Katrina, which devastated New Orleans in 2005.' When a storm hits, and people are desperate and in need, you can't charge $8 for a gallon of gasoline. We have anti-gouging laws and every day is like a hurricane when you are living on the edge,' said Stetson, an advocate for the poor." Click here for more.*

Click here to view the CFPB's press release on the field hearing and the 'Short-Term Small-Dollar Lending Examination procedures manual.

Q&A: Director of consumer watchdog agency says clear disclosures not enough
AP
January 19, 2012

"A company's obligations don't stop with the law. It also needs to be fair and upfront with customers. That's the message from Richard Cordray, who was named by President Barack Obama as the first director of the Consumer Financial Protection Bureau. 'Frankly there's a lot of fraud that's committed in the marketplace that is not on its face necessarily technically illegal,' Cordray said in an interview with The Associated Press. Such practices will now be a target for the CFPB. The agency and Cordray's appointment are both controversial. The CFPB was created as part of the overhaul of the nation's financial regulations, with a mandate to police the array of financial products marketed to consumers." Click here for more.

JPM Chase Quietly Halts Suits Over Consumer Debts
Jeff Horwitz (American Banker – subscription required)
January 10, 2012

"JPMorgan Chase & Co. has quietly ceased filing lawsuits to collect consumer debts around the nation, dismissing in-house attorneys and virtually shutting down a collections machine that as recently as nine months ago was racking up hundreds of millions of dollars in monthly judgments. A sampling of court records in the major cities in five states shows that Chase collection suits have virtually disappeared. In a sixth state, Illinois, contract attorneys continue to file small-dollar cases, though at a reduced rate." Click here for more.

CFPB Card Disclosure Form Draws Trades' Reaction
Claude R. Marx (Credit Union Times)
January 16, 2012

"CUNA and NAFCU both praised the efforts of the Consumer Financial Protection Bureau to simplify credit card disclosures, but made suggestions that might have the effect of making the form longer. Mary Mitchell Dunn, CUNA senior vice president and deputy general counsel, wrote that the CFPB's form, which is currently being tested by Pentagon FCU and is approximately 1,100 words, compared with the average form which is 5,000 words, 'is a very positive step forward.' Carrie Hunt, NAFCU vice president and general counsel, wrote that while 'additional clarification may be required to account for uncommon situations, the

agency's form discloses the most important information in a simple, straightforward manner.'" Click here for more.

AT&T jacks up 'measured' phone service rate because it can
David Lazarus (LA Times)
January 17, 2012

***"Money transfers**... "Speaking of rate hikes, Wells Fargo customers are being notified about changes to the bank's online services. Among other things, they're being told that a fee may be tacked onto person-to-person money transfers made online or via a mobile device — such as for a parent who transfers a little cash to junior's account while he's at college. Such transactions are now free. At the same time, Wells' customers are being informed that "certain person-to-person transfers between Wells Fargo customers that now occur in real time may instead post to the recipient's account the next business day." Click here for more.*

NCL and CFA - One Last Bite: Final Year for Bank Tax Refund Anticipation Loans
NCLC and CFA press release
January 17, 2012

"A bright note for consumers as this tax season begins: This is the final year in which refund anticipation loans (RALs) will be available from banks on a large scale, nationwide basis. After this season, there will be an end to the hundreds of millions drained from taxpayer refunds by these high-cost, high-risk loans. "We will be glad to see the last of RALs, which were both high-cost and high-risk," says Chi Chi Wu, staff attorney at the National Consumer Law Center (NCLC). "It's not a moment too soon to stop multi-million dollar corporations from skimming off the tax refunds of hard-working families."Click here for more.

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Shadow Markets and Systemic Risk

More regulations for too-big-to-fail banks
Dayton Business Journal
January 18, 2012

"Banks with more than $50 billion in assets will have to submit contingency plans to the Federal Deposit Insurance Corp. , according to a rule passed by the regulator's board Tuesday. The banks will have to periodically submit plans for how they can be resolved in the event of a crisis, the rule states." Click here for more.

New Normal on Wall Street: Smaller and Restrained
Peter Eavis and Susanne Craig (DealBook/NYT)
January 19, 2011

"With firms like Goldman Sachs and Morgan Stanley reporting weak results for last year, Wall Street is having to confront doubts about itself. Is this a temporary slump? Or will the moneymakers never get to go back to their high-rolling ways? Many on Wall Street had hoped 2011 would be a year when the investment banks showed that they could still make solid profits in the more sober financial environment that has followed the 2008 crisis." Click here for more.

Bair - Why it's time to break up the 'too big to fail' banks
Sheila Bair (for Fortune)
January 18, 2012

"America is downsizing. Whether it's the food we eat, the cars we drive, or the houses we live in, Americans are concluding that smaller is better. Even U.S. corporations are starting to see the benefit of more Lilliputian institutions; the impending -- and widely hailed -- breakups of McGraw-Hill (MHP) and Kraft (KFT) are two examples. So what about banks? It would surely be in the government's interest to downsize megabanks. Sen. Sherrod Brown (D-Ohio) continues to push his bill to split apart the largest institutions. Regulators have new authority to order divestitures under the Dodd-Frank financial reform law. From a shareholder standpoint, government breakups have a pretty good outcome. It worked out well for John D. Rockefeller,

whose shares in Standard Oil doubled after it was ordered to break up. Ditto for those who owned stock in AT&T." [Click here for more.]

Gasparino - Break up the banks
Charles Gasparino (NY Post op-ed)
December 21, 2011

"Three years after the financial crisis and the bailouts, and we're not much better off: 'Too big to fail' remains, banking profits are sinking and those big, overregulated banks can't manage to lend to small businesses. Maybe it's time to stop protecting this failed business model — and finally begin to break up the nation's largest banks. Making them smaller and less 'systemically' important may be the only way to get them to lend more. If they hold less capital, they can start taking some risks without *a chance of blowing up the whole financial system." Click here for more.*

Private-Equity Blows Miss the Softest Spots
Francesco Guerrera (WSJ – subscription required)
January 17, 2012

"A banking lobbyist ran into a private-equity lobbyist on a Washington street last week. 'Thanks,' the first lobbyist said. 'For what?' the private-equity lobbyist asked. 'For getting in the way of all the bullets being shot at us,' the banking lobbyist replied. The conversation, recounted by one of its participants, captures Wall Street's attitude to the Mitt Romney-centered firestorm on private equity. Just as bankers were bracing for another year as public enemies No.1 in the political theater surrounding the presidential campaign, Mr Romney's past as head of the buyout group Bain Capital came to the rescue." Click here for more.

Ross Sorkin - One Way to Look at Private Equity
Andrew Ross Sorkin (DealBook/NYT)
January 16, 2012, 10:11 pm

"Meet Paul S. Levy. He is a low-key private equity executive and former lawyer who helped co-found a midsize firm, JLL Partners, in 1988. It manages about $4 billion on behalf of pension funds and endowments like the New York State Teachers' Retirement System and Harvard University. His firm by his own description is 'small potatoes relative to the big guys' like Stephen Schwarzman's Blackstone Group or Henry Kravis's Kohlberg Kravis Roberts. Yet Mr. Levy, a well-respected businessman who honed his craft at Drexel Burnham Lambert in the 1980s and was once the chief executive of Yves Saint Laurent, travels in the circles of the industry's biggest names. He counts David Rubenstein, a founder of the Carlyle Group, as a good friend (they were once roommates); he has lunch with Leon Black of Apollo Global Management; and his firm has made investments with David Bonderman's TPG Group. Yet Mr. Levy has been dismayed that the industry's heavyweights have not sought to publicly defend their industry in recent days. Private equity came under attack when Mitt Romney's political rivals put his career at Bain Capital in the spotlight as part of the Republican primary. 'There's a tinge of McCarthyism here,' Mr. Levy said in an interview. 'I think it's a pretty honorable industry, and I don't know why people aren't stepping up and defending the careers that define their lives. That's a sad thing. What do they fear it will cost them?' Click here for more.

Nocera - Keep It Simple
Joe Nocera (NYT)
January 16, 2012

"What if Jamie Dimon is right? What if the chief executive of JPMorgan Chase is not just blowing smoke when he complains that the country — and, indeed, the world — has imposed so many new rules on the banking industry, some of them overlapping, others seeming to contradict each other, yet others whose sole purpose seems to be to weigh down the industry, that they threaten to do as much harm as good? Last summer, you'll recall, Dimon confronted Ben Bernanke, the Federal Reserve chairman, at a conference and asked him: 'Has anyone bothered to study the cumulative effect of these things?' Just last week, during JPMorgan's earnings call with analysts, Dimon complained that Europe's 'regulatory policy, government policy, central bank policy — it's not coordinated. It's making the situation worse, not better.' Like most nonbankers, I've tended to roll my eyes at Dimon's continuous lamentations. Surely, given all the harm the banks did to the country, regulations aimed at preventing a repeat of the financial crisis struck me as being worth whatever cost they imposed on the industry. And, yes, I admit to a little schadenfreude as well. (To be

fair to Dimon, he is not completely opposed to all the new regulations. He just comes across that way when he's in rant mode.)" Click here for more.

Volcker Rule

AFR on Volcker
Ben White (Politico's Morning Money)
January 19, 2012

"Americans for Financial Reform briefing paper pushing back on the Oliver Wyman study showing reductions in liquidity: http://bit.ly/z3V0Zw"

Regulators face pressure from both GOP, Dems on implementing 'Volcker Rule'
Peter Schroeder (The Hill)
January 12, 2012

"Top financial regulators will appear before a House panel Wednesday to discuss how they plan to implement the 'Volcker Rule' and defend their work from criticisms that it is overbroad, ill-defined, and maybe even unworkable. Republicans have been eager to blast Dodd-Frank ever since it became law, but few pieces have received as much ire as the Volcker Rule. Meanwhile, Democrats have also voiced their displeasure over the regulators' work, arguing it softens a key piece of the law." Click here for more.

U.S. Regulators to Defend Volcker Rule Ban on Proprietary Trades
Phil Mattingly and Cheyenne Hopkins (Bloomberg)
January 17, 2012

*"U.S. House Republicans will press federal regulators on the merits of a proposal to ban banks from trading for their own account, as one regulator acknowledged the rule could put banks including Goldman Sachs Group Inc. (GS) and JPMorgan Chase & Co. at a competitive disadvantage. …Consumer groups and supporters of the rule have leaned on regulators to stick to the implementation timeline and pushed back against assertions that the rule will damage capital markets. The arguments from financial firms 'are all founded on the irrational assumption that, once bank proprietary trading ceases under the Volcker Rule, others will not expand to meet demand,' **Wallace C. Turbeville**, a former Goldman Sachs banker, said in testimony prepared for the hearing on behalf of **Americans for Financial Reform**, an umbrella organization made up of consumer groups, labor unions and civil rights law firms." Click here for more.*

Regulators defend 300-page 'Volcker Rule' on risky trading
Peter Schroeder (The Hill)
January 18, 2012

*"Financial regulators were caught in a partisan tug-of-war Wednesday as they defended a 300-page regulation required by the Wall Street reform law. Republicans on the House Financial Services Committee chided regulators and said their attempt to implement the 'Volcker Rule' is overly complex and threatens the health of markets and the economy. Committee Chairman Spencer Bachus (R-Ala.) said the regulation would be a 'self-inflicted wound' on the nation's financial system. Democrats, meanwhile, pushed regulators to make sure the rule curbs risky activity and told them to resist calls from critics to adopt a slower pace. …Following up the regulators, industry groups and experts heaped scorn on the rule. A representative for the U.S. Chamber of Commerce told lawmakers that the Volcker Rule would make it harder for businesses to raise cash. However, a representative of the group **Americans for Financial Reform** argued the Volcker Rule is a vital safeguard for the financial system, ensuring that American taxpayers no longer effectively guarantee risky trading done by insured depository institutions." Click here for more.*

Click here to view/read testimony from Wednesday's joint hearing entitled "Examining the Impact of the Volcker Rule on Markets, Businesses, Investors and Job Creation". Witnesses included Mr. Wallace Turbeville, on behalf of the Americans for Financial Reform and Prof. Simon Johnson, Ronald A. Kurtz (1954) Professor of Entrepreneurship, MIT Sloan School of Management.

Attack on Volcker Rule Seen Exaggerating Cost of Disruption to Bond Market
Yalman Onaran (Bloomberg)
January 18, 2012

"Lobbyists for U.S. banks say a proposed ban on proprietary trading will cost companies and investors more than $350 billion. Some economists and fund managers say the claim is greatly exaggerated. The impact of the so-called Volcker rule on markets and the economy is being debated at a congressional hearing today, a month before the Feb. 13 deadline for comments on a 298-page plan by regulators to implement the ban. The proposal, championed by former Federal Reserve Chairman Paul Volcker, 84, would constrain the largest banks from betting on investments that could produce big losses. Lobbying groups, including the Securities Industry and Financial Markets Association, say the narrow definition of what's allowed under the proposal will curtail the role of banks as market-makers, preventing them from purchasing securities clients want to sell without first finding a buyer. That would reduce liquidity and increase transaction costs for companies, according to an industry-funded study." Click here for more.

Should We Trust Paid Experts on the Volcker Rule?
Simon Johnson (NYT's 'Economix')
January 19, 2012

"Simon Johnson, the former chief economist at the International Monetary Fund, is the co-author of '13 Bankers.' *On Wednesday morning, two subcommittees of the House Financial Services Committee held a joint hearing on the Volcker Rule, which is named for the former chairman of the Federal Reserve, Paul Volcker, and is aimed at restricting certain kinds of 'proprietary trading' activities by big banks. Its goal is to make it harder for these institutions to blow themselves up and inflict another deep recession on the rest of us. Part of the current issue is contentions by some members of the financial services industry that the Volcker Rule will restrict liquidity in markets, pushing up interest rates on corporate debt in particular and slowing economic growth. This assertion rests in part on a report produced by Oliver Wyman, a financial consulting company. Oliver Wyman has a strong technical reputation and is definitely capable of producing high-quality analysis, but its work on this issue is not convincing, for three reasons. (The points below are adapted from my written testimony and verbal exchanges at the hearing.) …On Page 36 of the report, the disclaimer begins, 'This report sets forth the information required by the terms of Oliver Wyman's engagement by Sifma and is prepared in the form expressly required thereby.' This does not mean – and I am not implying – that Oliver Wyman was instructed to find a particular kind of result. But the incentives of Sifma and its most prominent members are worth further consideration in this context." Click here for more.*

AFR Briefing Memo: The Volcker Rule and Market Liquidity

"The Volcker Rule will restrict banks' ability to speculate in financial markets. Recently, critics of the rule have claimed that it will lead to declines in market liquidity that will have serious economic effects. A new industry-funded study from Oliver Wyman claims that due to reduction in market liquidity the Volcker Rule could cost investors hundreds of billions of dollars in losses." Click here for more.

NOTE: On Wednesday, January 25, 2012 at 9:00 a.m. the House Committee is holding a business meeting to consider:

H.R. 1840, to improve consideration by the Commodity Futures Trading Commission of the costs and benefits of its regulations and orders

H.R. 2682, Business Mitigation and Price Stabilization Act of 2011

H.R. 2779, to exempt inter-affiliate swaps from certain regulatory requirements put in place by the Dodd-Frank Wall Street Reform and Consumer Protection Act

H.R. 2586, Swap Execution Facility (SEF) Clarification Act.

H.R. 3336, Small Business Credit Availability Act. H.R. 3527, Protecting Main Street End-Users from Excessive Regulation

Commodity Speculation

Bio-fuels, Speculation, Land Grabs = Food Crisis
The Real News Network
January 18, 2012

"PAUL JAY, SENIOR EDITOR, TRNN*: Welcome to The Real News Network. I'm Paul Jay in Washington. The spikes in global food prices in 2007-2008 were a wake-up call there's something fundamentally wrong with the global food system. And it's about to happen again: 'Commodity prices doubled in '08, the estimated number of hungry people topped one billion and food riots spread through the developing world. A second price spike in 2010-2011, which is expected to drive the global food import bill for 2011 to an astonishing $1.3 trillion, only deepened the sense that the policies and principles guiding agricultural development and food security were deeply flawed. There is now widespread agreement that international agricultural prices will remain significantly higher than pre-crisis levels for at least the next decade, with many warning that demand will outstrip supply by 2050 unless concerted action is taken to address the underlying problems.' Well, a new report titled Resolving the Food Crisis: Assessing Global Policy Reform Since 2007 from the* ***Institute for Agriculture and Trade Policy*** *and Tufts University Global Development and Environment Institute offers some answers to these questions." Click here for more.*

MF Global

New Laws Possible In Wake of MF Global's Demise
Ben Protess (DealBook/NYT)
January 18, 2012

"Lawmakers are considering new policies aimed at preventing a repeat of the MF Global debacle, in which the futures brokerage firm misused an estimated $1.2 billion in customer money as it collapsed. The Senate Agriculture Committee's decision to explore potential regulatory changes follows pleas from farmers, cattle ranchers and other futures industry customers who seek stronger protections for their money. As an initial step, the committee's chairwoman, Senator Debbie Stabenow, sent roughly 20 letters on Wednesday to some of the industry's biggest players, seeking suggestions for new policies. … She sent letters to consumer advocacy groups, including ***Americans for Financial Reform*** *and the Commodity Customer Coalition, a group of MF Global clients hurt by the firm's collapse. The committee also sought input from the Futures Industry Association, an influential trade group, and the CME Group, the for-profit exchange that polices brokerage firms." Click here for more.*

International

S&P downgrades eurozone bail-out fund
Joshua Chaffin in Brussels and Quentin Peel in Berlin (FT – registration required)
January 16, 2012

"Standard & Poor's on Monday stripped the eurozone's bail-out fund of its AAA credit rating, potentially constraining its ability to contain the region's debt crisis and focusing attention on efforts to create a more robust successor. S&P lowered the European Financial Stability Facility's rating to AA+, following its decision on Friday to remove the triple-A ratings of France and Austria, two of the find's guarantors." Click here for more.

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Foreclosures and Housing

U.S., Banks Near 'Robo-Signing' Settlement
Alan Zibel, Matthias Rieker and Nick Timiraos
January 19, 2012

"A pending settlement of an investigation into U.S. banks' foreclosure-processing problems would benefit about one million families with cuts in the amount they owe on their home loans, Housing and Urban Development Secretary Shaun Donovan said Wednesday. Administration officials and attorneys general are 'very close' to a settlement with major banks of the so-called robo-signing issues after about a year of negotiations, Mr. Donovan said at a conference of U.S. mayors meeting in Washington." Click here for more.

Campaign for America's Future – No Sweetheart Deal For Big Banks
Press Release
January 19, 2012

"Progressive groups are uniting today to send a strong message to the White House that bankers who commit fraud ought to be investigated, prosecuted and sent to jail. The Campaign for America's Future and MoveOn, Credo, Progressives United, New Bottom Line, and Color of Change are working together to deliver more than 360,000 petitions to the White House and to the Chicago offices of Obama for America. The petition asks the President not to let the banks off the hook: No Deals. Investigate. Prosecute." Click here for more.

Class Action Lawsuit Alleges JP Morgan Engaged in Systematic Document Fabrication to Move Mortgage Losses from Its Books into Mortgage Backed Securities
Naked Captialism
January 19, 2012

"To our knowledge, the suit filed by Ernest Michael Bakenie against JP Morgan is the first to accuse a major bank of widespread, systematic residential mortgage documentation and fraud. I don't have a copy of the filing and am relying on the summary in Courtroom News Service (hat tip Jesse via reader Scott) but it is a doozy. (The case is described as a class action, but has yet to obtain class certification by the court). We've reported repeatedly of widespread evidence of grotesque procedural abuses as servicers and foreclosure mill lawyers try to cover up for the fact that in many cases, mortgage notes were not transferred properly to securitization trusts, and the rigid way these deals were structured makes it impossible to remedy those failures at this juncture. Absent creating a time machine, the only fix is to fabricate documents that make it appear than things were done correctly. We've seen (as in in person) obvious forgeries submitted to the court (signatures obviously Photoshop shrunk to fit) and servicer personnel caught perjuring themselves, yet judges are remarkably unwilling to issue a ruling that hinges on finding that the plaintiff filed phony documents." Click here for more.

Northwest Trustee Services squeezes more profits from home foreclosures with one-stop model
Jeff Manning (The Oregonian)
January 14, 2012

"The Bellevue, Wash.-based company and its affiliates have in the past two years bought or started up six weekly newspapers in the Northwest. It could buy as many as 50 more in the Western states, said Rim co-founder Stephen Routh. Strangely, the moves have more to do with the booming and controversial business of home foreclosures than with journalism." Click here for more.

CRL - Government-Mandated Down Payments would Block Creditworthy Home Buyers
Center for Responsible Lending press release
January 18, 2012

"As federal regulators consider setting down-payment standards on new mortgages, a new study shows such rules could push 60 percent of creditworthy borrowers into high-cost loans or out of the market altogether. A proposal by regulators to define a high-quality mortgage as one with at least a 20 percent down payment, or possibly 10 percent, would hobble a healthy segment of the housing market. While higher down payments do result in fewer defaults, the payoff is small relative to the number of creditworthy households who could be shut out of the market, the study shows. For the full study, go to

www.ccc.unc.edu/QRMunderwriting or www.responsiblelending.org/mortgage-lending/research-analysis/balancing-risk-and-access.html." Click here for more.

Progressive Policy Institute - Underwater: Home Values in 2012 Battleground States
Jason Gold (Progressive Policy Institute)
January 19, 2012

"As the 2012 election approaches, the nation's unemployment rate will continue to drive the political debate and, in turn, the fortunes of President Obama and his GOP rivals. Despite the central focus on unemployment, however, another number deserves equal attention as a barometer of the nation's overall economic health: housing values. As catastrophic as it is to lose a job, the percentage of Americans who are unemployed is actually exceeded by the percentage of Americans who have either lost significant wealth from their homes or are currently "underwater"—owing more on their mortgages than their homes are worth. Since 2006, Americans have lost a total of $7 trillion in housing wealth—a figure that, according to the Federal Reserve, is more than half of the nation's aggregate home equity." Click here for more.

Phil Angelides, Ex-Head Of Financial Crisis Inquiry Commission, To Head Anti-Foreclosure Firm
Reuters
January 13, 2012

"Phil Angelides, formerly the chairman of a federal commission who led investigations into why the financial markets collapsed, is heading an investment group that hopes to 'do a good thing' for America while turning a profit from the wreckage of the housing market. The startup company, of which Angelides is executive chairman, seeks to raise money from investors to purchase troubled mortgages from banks and other financial institutions in order to help keep homeowners from being foreclosed upon, according to a Jan. 4 letter reviewed by Reuters. The company, Mortgage Resolution Partners, claims its strategy of using "legal and political leverage" to acquire the loans could generate a 20 percent annual return for investors. The company intends to purchase mortgages at a steep discount and re-work them to enable the homeowners to continue making payments, with the firm collecting the proceeds." Click here for more.

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Executive Compensation

Morgan Stanley caps cash bonus at $125,000
Tom Braithwaite in New York (FT – registration required)
January 17, 2012

"Morgan Stanley will limit upfront cash bonuses to $125,000 this year, spreading the bulk of compensation over more than two years in the latest sign of the lower levels and changed structure of Wall Street pay. People familiar with the matter said the most cash bankers could expect in their bonus cheque in February would be $125,000, while chief executive James Gorman and other members of the operating committee would receive no immediate cash. Morgan Stanley declined to comment." Click here for more.

The Goldman Bonus 'Bloodbath'
John Carney (CNBC.com)
January 19, 2012

*"It's bonus day at **Goldman Sachs**. Officially known as 'Compensation Communication Day,' today is the day when many at Goldman are finding out what their bonus will be. And it's "really ugly" today, according to one Goldman employee. A midlevel Goldman Sachs employee who works in the Fixed Income, Currency and Commodities division put it this way: 'It's a bloodbath. People are trying to put on a strong face but there are a lot of clenched jaws.'" Click here for more.*

Lawndale Mows Down CEO's Salary
Maureen Nevin Duffy (Institutional Investor)
January 13, 2012

"An independent investor has succeeded in getting a company's compensation committee to chop the CEO's salary by a third, a move seen as unprecedented. Recently disclosed action by Lawndale Capital Management of Mill Valley, California led the board to reduce the annual base compensation of Richard A. Horowitz, chairman, CEO and president of P&F Industries — a Melville, New York–based $12 million market cap tool and hardware manufacturer — from $975,000 to $650,000. 'This is the first time I've ever seen a shareholder action reduce compensation on an incumbent CEO,' says Paul Hodgson, senior research associate in charge of executive pay research for GMI, a company that issues governance ratings on public companies." Click here for more.

The Invisible Hand Behind Bonuses on Wall Street
Kevin Roose (NYT)
January 16, 2012

"When asked about his job at cocktail parties, Alan Johnson has a curiosity-piquing line. 'You know those big paydays on Wall Street?' he says, typically waiting a beat to deliver the punch line. 'I have something to do with them.' Mr. Johnson, a consultant who speaks with a light twang from his native Alabama, has never worked for a bank. Nor will his company, Johnson Associates, pay million-dollar bonuses to any of its 12 employees this year. But as one of the nation's foremost financial compensation specialists, Mr. Johnson is among a small group of behind-the-scenes information brokers who help determine how Wall Street firms distribute billions of dollars to their workers." Click here for more.

Leonard, Street and Deinard - Company Seeks Exclusion of Shareholder Proposal Relating to Clawbacks
Steve Quinlivan (Leonard, Street and Deinard)
January 16, 2012

"Morgan Stanley seeks to exclude the following shareholder proposal submitted on behalf of the Comptroller of the City of New York as custodian and a trustee of several pension funds from its upcoming proxy statement: 'RESOLVED, that shareholders of Morgan Stanley (the 'Company') urge the Compensation Committee (the 'Committee') of the board of directors to strengthen the Company's compensation clawback policy, as applied to senior executives, by: Providing that failure to appropriately manage or monitor an employee who engaged in 'conduct detrimental to the Company' (as determined by the Committee) or conduct constituting 'cause' for termination will support recovery of compensation; and Requiring disclosure in a filing on Form 8-K of any decision by the Committee or full board on whether or not to exercise the Company's right to recover any particular award of compensation." Click here for more.

21 CEOs With $100 Million Golden Parachutes
Josh Harkinson (Mother Jones)
January 18, 2012

"For some CEOs, the easiest way to get rich is to quit. Increasingly, corporations offer their chief executives fantastically generous severance packages—retirement bonuses, extended stock options, and pensions that can add up to $100 million or more. Call 'em platinum parachutes. These deals are supposed to benefit shareholders by encouraging CEOs to take a long-term view of corporate profits, but some compensation experts have their doubts. "Too many golden parachutes and too many retirement packages are of a size that clearly seems only in the interest of the departing executive," says a new report by GMI, a corporate governance consultancy." Click here for more.

Professor Jay Brown's comment letter on the pay disparity ratio to the SEC

Click here to view Professor Brown's comment letter submitted in December to the SEC stating that "Concerns have been raised about the logistical difficulties in implementing the requirement. Some have asserted that the formula used to determine median employee compensation is excessively complex and that the provision requires frequent, at least quarterly, disclosure of the ratio. In fact, however, the Securities and Exchange Commission ('Commission') has sufficient discretion to address both concerns during the regulatory process."

Note: Professor Brown was a participant in AFR's Conference on Executive Pay and the Dodd-Frank Consumer Protection Act.

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Student Lending

AFR Comment letter to the CFPB on Private Student Lending
Click here to read the letter that details the dangers of private student lending. The letter was in response to the "Request for Information Regarding Private Education Loans and Private Educational Lenders". **Click here** to view TICAS's letter and **click here** to view NCLC's letter.

What the New Student Loan Plans Mean For You
Liz Davidson (Forbes)
January 18, 2012

"When it comes to debt, we usually think about mortgages and credit cards. Yet, the amount of student loan debt has recently surpassed credit card debt. Unlike a mortgage, you don't have a tangible asset that you can sell to pay it off and unlike credit card debt, they're notoriously difficult to get rid of even through bankruptcy. These are some of the reasons that student loan debt helped fuel the Occupy Wall Street protests. Fortunately, two new programs are starting this year to help people tackle this debt. The first is a special federal student loan consolidation program that will be offered starting this month through the end of June. While it doesn't affect private loans, it could help millions of borrowers who have at least one federal loan directly from the government and one federal loan that originated from a bank or other lender. (PLUS loans are eligible but not Perkins loans or many loans to people entering health professions. You also can't take advantage of it if you've already consolidated.)" Click here for more.

Illinois attorney general's office plans to sue Westwood College
Gregory Karp (Chicago Tribune)
January 18, 2012

"The Illinois attorney general's office is lashing out at Westwood College, which has four Chicago-area campuses, claiming the institution misleads students enrolled in its criminal justice program, putting them deep in debt and saddling them with a nearly worthless degree for pursuing careers in Illinois law enforcement. Westwood, a career college owned by Alta College of Denver, is the latest for-profit school to come under scrutiny by regulators and consumer advocates, who claim some for-profit schools overpromise and underdeliver." Click here for more.

For-Profit Colleges Targeted for Law Protecting Veterans
John Hechinger (Bloomberg)
January 19, 2012

"For-profit colleges that solicit soldiers and veterans will face proposed legislation to curb recruiting, the U.S. Senate's No. 2 Democrat said. Senate Majority Whip Richard Durbin of Illinois will discuss the measure he plans to introduce at a Chicago forum on Jan. 23 examining for-profit colleges' military recruiting, according to a statement by his office today. Congress, the Education Department, the Justice Department and state attorneys general are scrutinizing the sales practices and student-loan default rates of for-profit colleges, which received almost $32 billion in federal grants and loans in the 2009-10 school year." Click here for more.

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FTT

Obama warns left: You won't like budget
Alexander Bolton (The Hill)
January 17, 2012

"Top White House officials are warning liberal and labor leaders to brace themselves for President Obama's budget proposal. Gene Sperling, director of the National Economic Council, sought in meetings last week to lift the left's gloom about Washington's crackdown on spending by promising that the president this year will focus on job creation rather than deficit cutting. …Some on the left have pushed vigorously for a financial transactions tax on the trade of stocks, bonds and derivatives. Liberal Sen. Tom Harkin (D-Iowa) and Rep. Peter DeFazio (D-Ore.) have introduced such a proposal in Congress. Sperling and other senior administration officials have not embraced the financial transactions tax, which proponents say would dampen excessive speculation. Administration officials worry Republicans could frame the proposal as a tax on 401(k) retirement funds, a potentially damaging election-year charge. Obama's senior advisers appear more inclined to push a tax on financial institutions, such as was included in the president's fiscal 2012 budget proposal to recoup the costs of the 2008-2009 Wall Street bailout." Click here for more.

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Other

Financial Services Chair Race Heats Up as Bachus Bows Out
Stacey Kaper (National Journal Subscriber – subscription required)
January 19, 2012

"The race to succeed Rep. Spencer Bachus, R-Ala., as chairman of the House Financial Services Committee is about to become a more public horse race with several candidates jockeying to position themselves for the influential and fundraising gem of a job. The chairmanship stands to become a more powerful one in 2013. With Rep. Barney Frank, D-Mass., retiring, the Dodd-Frank financial reform law's top defender will be out of the way and, assuming Republicans keep their majority in the House, the chairman will be better able to enact the GOP agenda if the party wins control of the Senate or White House." Click her here for more.

The Image Officer With a Lot to Fix
Louis Story and Gretchen Morgenson (NYT)
January 14, 2012

"Anne M. Finucane is comfortable with movers and shakers alike, including the filmmaker Ken Burns. Her co-star on this day, Bill Clinton, is waiting offstage. The audience shifts in its seats. The spotlight goes up and ... action! *It's a Thursday in early December, at a conference center near Orlando, and Ms. Finucane is busy shaping an image. Or, rather, trying to reshape one. This choreographed interview with the former president before a select group of businesspeople is, in fact, part of a much larger effort to rehabilitate one of the most demonized corporations in America. That company is Ms. Finucane's employer, Bank of America. Until recently, this colossus, assembled through a heady run of acquisitions, was the nation's largest bank. But since the 2008-9 financial crisis, no big bank has lost more of its luster. Today, Bank of America is often held up as a symbol of all that's wrong with banking, from stick-it-to-'em fees to dubious home foreclosures. Investors have given it a black eye, too. Last year, its share price plummeted 55 percent, making it the biggest loser among the Dow industrials. The bank remains under unusually close scrutiny by regulators. All of this — and more — poses daunting challenges for Ms. Finucane (pronounced fin-NEW-kin), one of the most powerful figures at Bank of America and, indeed, in American banking. Yet given her position, it might come as a surprise that she isn't a financial whiz or, for that matter, even a banker. Her official title is global strategy and marketing officer, but the designation only hints at her influence within the bank, on Wall Street, in Washington and beyond. Over a 17-year career at the bank and its predecessors, Ms. Finucane, 59, has spun a web of relationships in business, politics, the media and philanthropy. For years, she was a confidante of Kenneth D. Lewis, the executive who built Bank of America with a string of daring takeovers, and whose downfall is remembered as a pivotal moment in the financial crisis. Now she is a confidante of Mr. Lewis's successor, Brian T. Moynihan, who has been struggling to turn this battleship around. Mr. Moynihan is the chief executive, but Ms. Finucane is, in effect, the chief image officer." Click here for more.*

Drive to Split CEO, Chairman Roles Gains Steam
Joann S. Lublin (WSJ – subscription required)
January 17, 2012

"A group of experienced corporate chairmen is stepping up its drive to split the roles of chairman and chief executive at U.S. public companies by drafting and pushing a model board policy. The effort, likely to be announced Tuesday, comes from the Chairmen's Forum, which represents current and past chairmen in the U.S. and Canada. Prominent participants include Harvey Golub, a former head of American Express Co., and David W. Dorman, a former chief executive of AT&T."Click here for more.

Fed Holds Off for Now on Bond Buys
Jon Hilsenrath (WSJ – subscription required)
January 20, 2012

"Federal Reserve officials are waiting to see how the economy performs before deciding whether to launch another bond-buying program. The Fed meets again next Tuesday and Wednesday, and officials are preparing to roll out a new communications strategy that is on track to include two key elements: their interest-rate projections and a statement explaining their objectives for inflation and employment." Click here for more.

Carlyle Seeks to Ban Shareholder Lawsuits Before Public Offering
Miles Weiss (Bloomberg)
January 18, 2012

"Carlyle Group LP, the Washington- based buyout company that's preparing to go public, is seeking to bar its future shareholders from filing individual and class- action lawsuits. The firm revised its governing documents last week to say that investors who purchase company shares must settle any subsequent claims against Carlyle through arbitration in Wilmington, Delaware. That could limit the ability of stockholders to win big awards for securities-law violations such as fraud, several attorneys said." Click here for more.

Goldman Sachs earnings decline 58%
Tracy Alloway in New York (FT – registration required)
January 18, 2012

"Goldman Sachs has revealed a series of dramatic cost cuts and a 58 per cent drop in fourth-quarter earnings, after grappling with tumultuous trading conditions in the latter part of the year. Like many of its investment banking competitors, Goldman was hit by ongoing eurozone turmoil and a subsequent slowdown in market activity in the last three months of 2011. The results follow disappointing earnings at rival JPMorgan and Citigroup after customers withdrew from trading." Click here for more.

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Upcoming Events

Presidential State of the Union – Tuesday, January 24, 2012

Capitol Hill

House

House Committee on Financial Services

No pertinent markups/hearings scheduled as of 1/20/12

House Small Business Committee

No pertinent markups/hearings scheduled as of 1/20/12

House Committee on Agriculture

Wednesday, January 25, 2012 – 9:00 a.m.
1300 Longworth House Office Building
Washington, D.C.
Full Committee on Agriculture -- Business Meeting

RE: To consider:
- H.R. 1840, to improve consideration by the Commodity Futures Trading Commission of the costs and benefits of its regulations and orders.
- H.R. 2682, Business Mitigation and Price Stabilization Act of 2011
- H.R. 2779, to exempt inter-affiliate swaps from certain regulatory requirements put in place by the Dodd-Frank Wall Street Reform and Consumer Protection Act.
- H.R. 2586, Swap Execution Facility (SEF) Clarification Act
- H.R. 3336, Small Business Credit Availability Act
- H.R. 3527, Protecting Main Street End-Users from Excessive Regulation

Committee on Oversight and Government Reform

No pertinent markups/hearings scheduled as of 1/13/12

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

Event: 'How Will The CFPB Function Under Richard Cordray?'

Subcommittee on TARP and Financial Services
Subcommittee on TARP and Financial Services Hearing
Date: Tuesday, January 24, 2012
Duration: 2 Hours
Contact Info:
(202) 225-5074 Email:
URL: http://oversight.house.gov

The Subcommittee on TARP, Financial Services and Bailouts of Public and Private Programs will hold a hearing entitled, "How Will the CFPB Function Under Richard Cordray?" on Tuesday, January 24 at 1:30pm in room 2154 Rayburn House Office Building.

The hearing will be streamed here.

Senate

Senate Banking, Housing, and Urban Affairs Committee

No pertinent hearings/markups scheduled as of 1/20/12

Senate Committee on Finance

No pertinent hearings/markups scheduled as of 1/20/12

Senate Committee on Agriculture, Nutrition and Forestry

No pertinent hearings/markups scheduled as of 1/20/12

SEC

No pertinent meetings scheduled as of 1/20/12

CFTC

The Commission meeting scheduled for January 25, 2012, will not be held

CFPB

National Credit Union Administration (NCUA) Board Chairman Debbie Matz will host a free webinar with Richard Cordray, the first Presidentially appointed director of the Consumer Financial Protection Bureau (CFPB), on Wednesday, Feb. 8, at 3 p.m. EST.