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Financial reform efforts pit US against Europe
Associated Press
March 16, 2010
By: Stevenson Jacobs

U.S. policymakers are struggling to agree on new rules to avoid another financial crisis.

A global consensus? Even harder.

Efforts are raging on three continents, with at least as many ideas about the proper fixes. Unless the U.S., Europe and Asia adopt uniformly strict regulations, banks and high-risk traders will shift operations wherever rules are loosest. Experts warn another crisis could follow.

The global proposals are clashing on several levels. Among the differences:

_ The Obama administration wants to restrict banks' size and ability to take risk. European officials have called that plan unworkable in a region with roughly 40 cross-border banks.

_ European Union officials want to crack down on financial derivatives, which they blame for worsening Europe's debt crisis. Derivatives are instruments whose value depends on underlying assets, such as mortgages or currencies. U.S. regulators favor making derivatives trading more transparent. But they've resisted calls to restrict it.

_ In Asia, Chinese regulators are forcing banks to set aside more reserves to prevent a U.S.-style credit binge. And India has maintained rules that were already stricter than many in the West.

A report last week on Lehman Brothers' 2008 collapse reminded the world of the matter's urgency. The report said regulators missed Lehman's accounting tricks, which made the firm appear stronger than it was. Lehman's bankruptcy, the biggest in U.S. corporate history, shocked global markets and triggered the \$700 billion financial bailout.

But 18 months later, no deal on stricter rules is in sight — domestically or globally. Senate Banking Committee Chairman Christopher Dodd proposed his own bill Monday — without Republican support. And the U.S. and Europe seem far apart on such issues as how to oversee bank accounts and mortgages and whether banks can do proprietary trading. That's when they use their own money to make high-risk bets. If those bets go bad and a bank goes under, taxpayers could be on the hook.

The Lehman disaster underscores the "enormous imperative" to tighten international rules, said Kenneth Rogoff, a Harvard professor and former chief economist of the International Monetary Fund. Yet he doubts countries can agree.

"You're dealing with different accounting standards, different political systems and different banking systems," Rogoff said. "It will be very hard to create one-size-fits-all regulations."

A lobbying blitz by Wall Street banks has helped drive the sides apart. Banks argue that some U.S. proposals would give overseas rivals an unfair edge. Especially in their sights is a proposed Consumer Financial Protection Agency to oversee consumer products.

The House and Senate plans would create a council to monitor threats to the financial system. Both would also set a "resolution authority" to close large failing firms. But key differences remain. One involves the proposed consumer agency. The House favors a freestanding agency; the Dodd bill would place it inside the Federal Reserve.

Europe is weighing some similar reforms. The economic bloc would create three authorities: to govern banking, insurance and markets in all 27 member nations. A watchdog would monitor financial stability. It would also look for any financial-asset bubbles or banks embracing too much risk.

But trans-Atlantic discord is flaring. The Obama administration wants to bar the biggest banks from using their own money to make high-risk bets. It would also limit the size of banks.

The European Union has rejected that plan. In Europe, banks already have been getting smaller. Regulators insisted they shrink to compensate for government aid.

"Trying to apply sweeping rules about the structure, content and range of activities of banking entities is too difficult," British Business Secretary Peter Mandelson said this month.

In addition, European officials have threatened to restrict trading of certain derivatives linked to government debt, called "naked" credit default swaps. Naked swaps are a type of insurance in which investors don't actually hold the insured bonds. European officials argue the swaps have worsened Europe's crisis by magnifying bets that Greece and other indebted nations will default.

Many experts disagree. They say ballooning deficits — not derivatives — have weakened confidence in Greece and other EU nations.

Still, EU officials want the U.S. to help crack down on those swaps. The House and Senate bills would likely require most derivatives trades to go through clearinghouses to make them more transparent. But they wouldn't limit their use.

Another conflict is over hedge funds, which are lightly regulated private investment vehicles. Treasury Secretary Timothy Geithner has voiced concern that disclosure rules that Europe is weighing could block U.S. hedge funds and private equity firms from Europe's market.

EU proposals would likely require big funds operating in Europe to regularly disclose their trades and risk exposure. The idea is to prove they don't threaten the financial system.

By contrast, the Senate bill would require only that big hedge funds pay into a resolution fund to pay for dismantling failing firms.

Andrew Busch, a global strategist at BMO Capital Markets, warns that firms would exploit any differences in countries' rules. Risky activities banned in one country could shift to another with friendlier rules.

"You would invite regulatory shopping — really, country shopping," Busch said. "It's as easy as flipping a switch."

Even the banking industry acknowledges the risk.

"You could have a race to the bottom to those countries and jurisdictions that have weaker protections," said Scott Talbott, chief lobbyist for the Financial Services Roundtable, which includes the largest banks.

The banks argue that the U.S. effort risks stifling financial activity and are fighting elements of it.

"There has to be a balance in how you regulate, or you make banks less competitive," Talbott said.

For a model on how to tighten rules, U.S. and European officials may look East. Asia's banks were relatively unscathed by the West's crisis. In part, that was because China wasn't deeply integrated into the global system. In other cases such as India, regulation was already stricter than in the West.

Some Asian countries have further intensified efforts to reduce risk. Chinese regulators in 2008 required banks to hold more reserves to guard against loan failures.

In addition, China wants to increase oversight of banks that were ordered to boost lending last year to back Beijing's stimulus.

"We used to learn from Western developed countries, but later we found their systems had problems, so we'll have to amend our system and hope it will develop in a healthy and steady way," said Wei Tao, an analyst for China Securities Research.

Gary Gensler, head of the U.S. Commodity Futures Trading Commission, has struck an optimistic note about a global accord on derivatives. He said last week that U.S. authorities are "working well" with overseas regulators.

Others say some disagreement is helpful. Banking analyst Bert Ely said a diversity of regulations can point to flaws in a country's rules and to better solutions elsewhere.

"If everyone adopts the same rules and we're wrong, then we all go running off the cliff together when the next crisis hits," Ely said.

Banking giants

Regulating "too-big-to-fail" banks isn't only a U.S. problem. Europe is home to many major banks, with Asian countries gaining ground.

The world's 50 largest banks
(as measured by total assets in US dollars as of March 3, 2010)

1. Royal Bank of Scotland (U.K.)	\$3,483 billion
2. Deutsche Bank (Germany)	\$3,068
3. Barclays (U.K.)	\$2,977
4. BNP Paribas (France)	\$2,891
5. Credit Agricole (France)	\$2,303
6. UBS (Switzerland)	\$1,881
7. JPMorgan Chase (U.S.)	\$1,746
8. Societe Generale (France)	\$1,574
9. Bank of Tokyo-Mitsubishi UFJ Financial Group (Japan)	\$1,494
10. Bank of America (U.S.)	\$1,471

SOURCES: The Financial Services Roundtable; Bankersalmanac.com AP

Financial Services Roundtable Text: 'Concerned' Re Dodd Prop iMarketNews.com March 15, 2010

The following statement was issued by the **Financial Services Roundtable** in reaction to Sen. Chris Dodd's proposed financial regulatory reform bill:

In response to Chairman Chris Dodds bill on regulatory reform, The Financial Services Roundtable is supportive of some provisions, yet remains concerned with other components.

"Regulatory reform is landmark legislation, and we need to be sure to get it right," said Steve Bartlett, President and CEO for the Roundtable.

"Chairman Dodd has unveiled a bill which we believe hits the right notes on some aspects, like too-big-to-fail and streamlining of bank regulation."

Bartlett continued, "The Roundtable believes that consumer protection should not be separated out from the regulators which govern the products. We are concerned with the autonomous authority given to such an entity."

"We continue to urge lawmakers to reach a bipartisan bill to modernizing our regulatory framework and protect consumers."

What would a new consumer protection agency do?

Associated Press

March 15, 2010

Watch out for consumers, police financial products. It sounds like a simple mandate for a proposed new consumer protection agency.

Still, lawmakers on Capitol Hill can't seem to agree on what powers to grant this potential new watchdog.

Unable to reach a bipartisan deal, Sen. Chris Dodd, D-Conn., put forth his own proposal Monday for broader financial reforms. The consumer protection agency Dodd maps out in his plan likely won't emerge intact, but it gives an idea of the issues at hand.

Part of the problem is that there's such a wide array of financial products marketed to consumers. As it stands, regulatory authority is scattered among various federal and state agencies.

That effectively leaves gaps in oversight that have helped precipitate the meltdown, and leave the country vulnerable to further dangers, Dodd said in unveiling his proposal.

So as Congress rushes to act quickly, some questions and answers about what's at stake.

Q: What exactly would the new agency oversee?

A: The agency — now called the Bureau of Consumer Financial Protection — would be authorized to write regulations for all financial products and services affecting consumers, such as credit and debit cards, debt collection, mortgages, payday loans and prepaid cards.

It would not have authority over accountants, lawyers, real estate brokers or other professionals licensed at the state level. Nor would the proposal impose additional oversight of retailers.

Regulations could be enacted without any outside approval. However, a council representing nine other agencies could veto any rule with a two-thirds vote if the rule posed a risk to the banking system.

As with the rest of Dodd's proposal, of course, the scope of the bureau's rule-writing authority could still be tinkered with. For example, the Financial Services Roundtable, an industry group that represents companies such as Citi and JP Morgan Chase, wants the bureau to share rule-writing responsibilities with other banking regulators.

The council's veto power could also be strengthened, effectively diluting the bureau's rule-writing power, notes Travis Plunkett of the Consumer Federation of America.

Q: What enforcement powers would the Consumer Financial Protection Bureau have?

A: While the bureau's authority to write regulations would be broad, its enforcement power would be much more limited.

The bureau would have authority to enforce regulations over banks and credit unions with assets of more than \$10 billion. Smaller community banks and credit unions would continue to be examined by the Federal Deposit Insurance Corp. or the National Credit Union Administration.

The new bureau also wouldn't have direct enforcement authority over nonbank financial companies, such as payday lenders, debt collectors and credit reporting agencies. Yet it would be able to invoke enforcement powers over such institutions if it could show they were large enough.

Otherwise, the enforcement responsibilities would generally remain with state regulators or the Federal Trade Commission.

Q: How much independence would the new bureau have?

A: President Barack Obama had called for a new, stand-alone agency. But Dodd's proposal, reflecting bipartisan negotiations, places the bureau within the Federal Reserve.

Those who argue against this setup cite the Fed's poor track record for protecting consumers. In particular, they point to the Fed's failure to sound the alarm on subprime mortgages and its slow actions in curbing deceptive credit card practices.

That said, the bureau outlined by Dodd would have an independent director appointed by the president and confirmed by the Senate. The bureau would also have an independent budget within the Federal Reserve.

Q: Who watches out for consumers right now?

A: It depends. Depending on the product, it could be the Federal Reserve, Federal Trade Commission, the Office of the Comptroller of the Currency, Office of Thrift Supervision, Federal Deposit Insurance Corp. or the National Credit Union Administration. Regulations are also set by states.

The confusion has often meant that no agency took responsibility for particular matters, Dodd said.

"If there was a watchdog on duty, it didn't bark," he said.

Not only does a new watchdog need to bark, Dodd said it also needs the power to bite.

Q: What else would the consumer protection bureau do?

A: The bureau would be charged with establishing an Office of Financial Literacy.

What's more, the bureau would establish a complaint hotline. This would simplify matters for consumers, who currently may not know where to turn to report abusive practices.

Q: What are the arguments against a more powerful consumer protection watchdog?

A: Banks and industry groups warn that too many regulations could drive up prices for consumers, discourage the innovation of new products or even eliminate existing options.

Personal finance strategies: save automatically and grow rich

SunSentinel

March 15, 2010

Start small if you must, but start. And then keep saving your money -- automatically if at all possible.

That's the message from more than 100 not-for-profit, government and business groups that participated in the recently concluded fourth annual America Saves Week campaign. With a fresh commitment from a major banking and financial services group, this year's events emphasized the need and effectiveness of automatic savings, particularly for lower- and middle-income Americans.

"The essential message is to take action to build wealth, not debt," said Dallas Salisbury, chairman of the American Savings Education Council, which helps to maintain the non-commercial <http://www.AmericaSavesWeek.org> Web site.

The site, accessible year-round, contains a useful 12-item "savings checklist" with questions such as whether you know your net worth and have a personal spending plan that allows you to save enough money to meet your goals.

Millions of Americans, still reeling from what has been dubbed the "Great Recession," would have to say no. According to a survey of more than 1,000 adults conducted by Opinion Research Corporation for America Saves in February, the percentage of Americans with a spending plan that allows savings declined from 49 percent in 2008 to 46 percent this year.

And just 49 percent save for retirement at work now, down from 55 percent two years ago.

These declining numbers "may largely reflect job loss and other income reductions," said Stephen Brobeck, executive director of the Consumer Federation of America and a founder of America Saves. "However, they don't bode well for the financial future of many Americans."

Particularly at risk are lower- and moderate-income households -- 57 percent of families with incomes under \$25,000 and 39 percent of those with incomes between \$25,000 and \$50,000 say they don't have enough money set aside for unexpected expenses such as needed car repairs.

Little wonder that even higher percentages of these two groups -- 77 percent of those making under \$25,000 and 54 percent of those making between \$25,000 and \$50,000 -- say they are not saving enough for a retirement with a desirable standard of living.

"It's very disturbing that a significant number of Americans are not prepared for routine emergencies, let alone retirement," Brobeck said.

Given those numbers, "setting up an automatic savings account for emergency funds, retirement and other major life milestones has never been more important,"

said Nancy Register, associate director of the consumer federation and America Saves director.

When you save automatically -- transferring money directly from your paycheck or checking account into a savings or investment account, for example -- you're less likely to miss the money and more likely to adjust your spending to the money in hand.

For many Americans, relatively high minimum balances to open and/or maintain savings accounts have been a barrier to automatic savings. Last month, the consumer federation, Employee Benefit Research Institute and Financial Services Roundtable, a group that includes most of the nation's largest banks, announced a commitment to follow "best practices" to promote and facilitate automatic saving, especially by low- and moderate-income customers.

These best practices include free automatic transfers from checking to savings; low minimums for automatic savers; incentives for customers to use automatic savings; good disclosure of automatic savings options, and active promotion of these options.

"The Roundtable will do everything in its power to encourage retail banks to adopt these practices to improve their programs so that they meet these criteria," said Steve Bartlett, the group's president, who also committed to publishing a review of their progress in one year.

**Move your money to a local bank, campaign urges
HarldNet
March 16, 2010
By: Kara McGuire**

Unhappy with the culture on Wall Street? Angered by the behavior of the banking giants? Then move your money to a community bank or credit union. That's the message of Move Your Money, a campaign that's gone viral since it launched late last year.

Jeanne Griffin is sold on the concept. It's not that she's had problems with her big bank. But the bank bailout "did bother me," said the 34-year-old technical analyst. "All of us are paying for all of this and it's hurting the economy," she said. She opened an account with Bremer Bank, because "they aren't about making money off of people."

It's no surprise that Marshall MacKay likes the idea. "It's a pushback to what we've seen play out in the economy," said the president of the Independent Community Bankers of Minnesota. He says community banks are well-suited to the times. "The more dollars that you put in your local community bank, the more funds that they have available to lend to the consumer to buy a house, or a small businessman to produce products or services, or thankfully, employ people."

In this era of tighter credit, community banks are more likely to consider more than just a credit score when lending out money. Plus it's easier to find someone with the power to make decisions if you have mortgage trouble.

Morningstar banking analyst Jaime Peters thinks the movement is feeding off of negative perceptions about bailouts of the big banks.

While the financial crisis might prompt some individuals to reconsider their banking relationship, it's not showing up in the numbers. Big banks actually captured more market share in the aftermath of the crisis, Peters said.

When asked about the movement, the Financial Services Roundtable, a lobbying group whose members are large financial institutions, responded: "A customer should place their money with the financial institution that best serves their individual needs. If a consumer is not happy with their current institution's level of service or product offerings, they should contact them or find another institution that fits their needs better."

As for your money's safety, "unless you're somebody who is going to be exceeding the FDIC limits (of \$250,000) as far as deposits go, your money is safe whether or not you chose a large bank or small bank," Peters said.

To assist you in your search, Move Your Money has partnered with a risk analyst who grades the health and safety of community banks. You can search for one near you by ZIP code. Find credit unions near you at www.creditunion.coop.

Life is ever-changing and our financial needs with it. Take the time to re-evaluate your banking relationship now and then. Is it working? Then maybe switching is too much of a hassle. But if you've been meaning to shop around, be sure to explore all of your options — credit union or bank, mega, medium or small.

Here are some questions to ask yourself:

What do you want from the institution that holds your money?

Does it have free ATMs in convenient locations?

Does it have branches close to you?

Does it offer free checking and other products? Consider not only your current needs, but your needs five years from now, Peters suggests.

If you bank online, is the Web site up to snuff?

If you use a personal financial management tool such as www.mint.com, is the bank or credit union compatible?

Does it offer financial education for you and your kids?

Is the coffee any good?

For Now, Dodd Swings Left Flank Back On Board His Bill
Congress Daily
March 16, 2010
By Bill Swindell, with Dan Friedman contributing

Senate Banking Chairman Christopher Dodd accomplished a major priority Monday by keeping his left flank of consumer activists and labor on board with his revised measure to revamp the nation's financial regulatory system. The question now is how long will he keep them there as he moves the bill through the Senate.

Dodd's measure veered left from talks he held with Sen. Bob Corker, R-Tenn., specifically over a proposed Consumer Financial Protection Agency to issue rules, conduct examinations and impose enforcement actions currently carried out by a wide swath of regulators.

Under a shrinking calendar, Dodd released his revised measure with a goal to complete a markup on the bill by March 26. So far, it appears he has kept all 12 committee Democrats on; he expected to go without GOP votes after he moved forward without Corker.

"To offer it today, to have amendments on Friday and to have a markup early next week, it's pretty evident that it's very likely that in order for it to be a bipartisan bill it's gonna have to happen after committee," Corker said.

Sen. Jeff Merkley, D-Ore., called the bill a "significant stride toward a stronger financial system" and Sen. Robert Menendez, D-N.J., said it "represents a good starting point."

The bill would tuck a proposed Consumer Financial Protection Bureau inside the Federal Reserve. It also would mandate that disputes between the bureau and bank regulators would be settled by a systemic-risk council. A two-thirds vote would be required to overrule any decision.

Dodd did not agree to a pre-emption of state consumer laws, but instead included language similar to the House-passed bill that would allow pre-emption if the Office of the Comptroller of the Currency determines that a state law would prevent, significantly interfere, or materially impair a federally regulated institution to engage in banking.

Pre-emption will be a flashpoint as the bill advances because major banks such as Citigroup and Bank of America are insisting on national rules for any deal. "The bill allows the confusing result of 50 different consumer protection regimes. This results in an increase in the cost of products, and a decrease in availability of products," said Scott Talbott of the Financial Services Roundtable.

Consumer groups are looking to play offense in the markup, specifically over language that would require the bureau to issue a rule on why it wants to supervise nonbanks such as payday lenders and check-cashing places. "That gives the payday lenders more time without the full enforcement that we think they need," said Ed Mierzwinski of the U.S. Public Interest Group.

Dodd included language that requires regulators to implement rules that would prohibit big banks from proprietary trading for their own profits rather than their clients, the "Volcker rule" named after former Fed Chairman and current White House adviser Paul Volcker.

The Treasury Department pushed the language at the behest of President Obama, who argued such trading brings additional risk to the system. Banks disagree, noting the crisis was rather caused by poor underwriting standards on home loans. The legislation would have the nine-member financial oversight council conduct a study on the matter before issuing rules. One banking lobbyist said the text presumes banning such trades and goes even farther than the House-passed bill, which would give the Fed the authority to prohibit such trading. "It's a hard ban," the lobbyist said.

Merkley has led the charge on the Volcker rule in the Senate with his own bill. He said the Dodd language "is a much-improved stepping-off point that will help shine a spotlight on the risky bets that helped bring down our economy."

Student loan biz not looking too healthy
Marketplace
March 16, 2010

Scott Talbott, Senior Vice President of Government Affairs at The Financial Services Roundtable, talks with Nancy Marshall Genzer, of Bloomberg Radio, about the proposal to let the federal government hand out student loans.

To listen to the discussion, click [here](#).

Kai Ryssdal: The political chatter in Washington this week is mostly about the health care bill. People might want to brush up on student loan rules, too. Marketplace's Nancy Marshall Genzer explains.

NANCY MARSHALL GENZER: Right now, the federal government pays a subsidy to banks that make government-guaranteed student loans. The measure that's hitching a ride on the health care bill would cut out the banks. The Education Department would make the loans directly.

Jack Jennings heads the Center on Education Policy.

JACK JENNINGS: If the middle man is eliminated, there's all sorts of money that's saved in the middle and can be mostly redirected into further grants to students to go on to college.

Democrats say the student loan overhaul would save the government about \$68 billion over 10 years. Much of that money would go toward government grants for students. The losers in all this are the banks.

Scott Talbott is a lobbyist for the Financial Services Roundtable, a trade group.

SCOTT TALBOTT: We estimate that about 35,000 student loan professionals would lose their jobs overnight.

Jason Delisle has an answer for that. He's a budget expert at the New America Foundation in Washington.

JASON DELISLE: The guaranteed student loans program is not a jobs program. It's a program to ensure students get low interest loans.

But some schools are ignoring the student loan debate. They're starting to cut out the middleman themselves. Students don't have to get their government loans through the banks. There's already a direct government loan program. The loans aren't cheaper for the students, but they're more convenient. And more schools have started offering them.

Jack Jennings of the Center on Education Policy says schools are trying to maximize whatever help students may get from the government.

JENNINGS: And so they're looking for any way they can to make the system more efficient and provide as much money as they can.

So, out goes the middleman.

**Top 10 lobbying fights over financial reform overhaul legislative
The Hill
March 16, 2010
By: Silla Brush**

Lobbyists are scurrying to make major changes to the 1,336-page financial overhaul legislation Sen. Chris Dodd (D-Conn.) released this week.

Everyone from consumer advocates to executives at big banks want changes to the long-awaited bill, which aims to prevent future financial crises.

The Senate Banking Committee plans to mark up the measure next week, even as senators continue to draft a major section of the bill.

On Tuesday, the U.S. Chamber of Commerce, which has been one of the loudest voices on financial legislation, said it would spend another \$3 million on its efforts against the Dodd bill, bringing the Chamber's campaign to \$6 million.

"We will intensify our grassroots efforts," said David Hirschmann, president of the Chamber's Center for Capital Markets Competitiveness. The Chamber said it would focus its advocacy efforts in six states: Tennessee, Arkansas, Montana, South Dakota, Indiana and Virginia.

Among the issues in the bill, 10 have emerged as the principal battle lines being fought over.

\$50 billion line for consumer bureau

Credit union groups are pushing for an amendment to raise the threshold from \$10 billion to \$50 billion in assets for depository institutions covered by the proposed Bureau of Consumer Financial Protection.

Three large credit unions — the State Employees' Credit Union, Navy Federal Credit Union and Pentagon Federal Credit Union — have assets in excess of \$10 billion but less than \$50 billion. The National Association of Federal Credit Unions lobbied successfully in the House to raise the threshold to \$50 billion.

There are 36 bank holding companies with assets in excess of \$50 billion, according to government data. There are roughly 120 banks and thrifts with assets exceeding \$10 billion, according to market research firm SNL Financial.

Prepaid resolution fund

Congressional lawmakers and the administration have wrangled for months over how to set up a process for dissolving failing financial firms. It's one of the central questions of the overhaul. The House approved a \$150 billion industry-supported resolution fund that could be tapped by federal regulators; Dodd pitched a \$50 billion industry-supported fund.

The Obama administration had originally supported a fund that would be created in the event of a firm failing and supported by assessments on large financial firms. The forces in support of a prepaid fund appear to be winning the fight, but financial companies are sparring over which firms, exactly, should be required to pay for failures.

'Volcker Rule'

The financial industry had not been expecting Dodd's bill to include language strictly limiting proprietary trading at banks. While the measure does not include specific limits in the statute, it does require federal regulators to devise a prohibition on trading.

"Rather than arbitrarily banning certain activities, or setting arbitrary size limits, our policy response should focus on improving risk management, internal controls, supervisory oversight and creating the authority to resolve large financial institutions," said Rob Nichols, president of the Financial Services Forum, an association of CEOs at 18 large financial firms.

Financial lobbyists are pushing instead for regulators to have flexibility in studying the issue. "It's a one-size-fits-all, draconian approach to a very

complex issue,” said Scott Talbott, senior vice president at the Financial Services Roundtable.

State versus federal powers

Financial lobbyists have pushed to maintain strong powers for the federal government to pre-empt state financial regulations. The issue of pre-emption was a hot-button topic in the House overhaul bill. Negotiations over the issue with centrist Democrats lasted for days.

Financial lobbyists, including Richard Hunt at the Consumer Bankers Association, argue that without federal pre-emption of state rules, a patchwork of regulations will harm the industry. Meanwhile, consumer advocates and the Obama administration argue it is essential to provide greater scope for state powers.

Payday lenders

Liberal Democrats and consumer advocates want to rein in payday lenders, which typically make short-term loans at high interest rates. The industry is strongly opposed to new federal regulations, arguing in favor of state-based rules. “None of us should be regulated by the federal government,” said Steven Schlein, spokesman for the Community Financial Services Association, a payday loan trade association.

While the Dodd bill provides greater scope for regulation of payday lenders, consumer advocates said they have concerns over a requirement that proposed rules would need to be studied. “Quite frankly, we don’t know why we need to study laws over payday lenders,” said Ed Mierzewski, of the U.S. Public Interest Research Group.

Autonomy of consumer protection bureau

Banking lobbyists are concerned about the autonomy of the proposed Bureau of Consumer Financial Protection. They and most Republicans oppose a separation between regulators who oversee the safety and soundness of institutions and those who oversee consumer protection.

Consumer advocates praised Dodd’s inclusion of a “firewall” between the new bureau and the Federal Reserve, which regulates banks. “It’s a pretty unprecedented and shocking concentration of power,” said Andrew Pincus, a partner at the Mayer Brown law firm who is working for the Chamber.

Non-bank coverage

The Chamber has sounded the loudest opposition to the potential for financial overhaul legislation to come to bear on non-financial companies. The Dodd bill, and particularly the bureau for consumer protection, would impose new rules on non-banks and have enforcement powers over those with at least \$10 billion in assets.

The Chamber, National Association of Manufacturers (NAM) and other non-financial lobbying groups are concerned that the scope of the bill is too wide. The National Association of Automobile Dealers (NADA) successfully pushed for an amendment in the House financial bill that exempted dealers from the consumer protection agency. The administration has argued that non-banks are large players in the financial market and that current powers are too limited.

Insurance regulation

While the financial reform debate has been dominated by regulations on banks and depository institutions, insurers have begun to have a louder voice as the Senate takes up legislation. The American Insurance Association and Property Casualty Insurers Association of America, among other trade associations and insurers, are concerned about the way in which failing financial firms would be wound down in the future.

They argue the legislation would trample on the existing state-based system of resolving failing insurers and also require larger insurers to help pay for future failures.

'End user' derivatives exemption

The Dodd bill includes a placeholder for new limits on the multitrillion-dollar market for financial derivatives. Sens. Jack Reed (D-R.I.) and Judd Gregg (R-N.H.) are still discussing derivatives legislation that could be added to the Dodd bill.

But financial lobbyists and business interests, including the Chamber, Edison Electric Institute and Business Roundtable, have pushed lawmakers to write a broad exemption for "end users" so that companies are not restricted from using derivatives to hedge commercial risks. Consumer advocates have warned against a broad carve-out that could be used by banks and other financial firms.

Cities, States Tell Big Banks They'll Go Elsewhere
Wall Street Journal
March 17, 2010

By: Ruth Simon

Fed up with the tight supply of credit, state and local governments across the U.S. are starting to punish big banks.

State lawmakers in Maryland, Massachusetts, Minnesota and New Mexico have introduced legislation that would funnel more money into small financial institutions, which generally have avoided the brunt of criticism over the industry's reluctance to lend.

New York Mayor Michael Bloomberg wants to deposit as much as \$25 million in city tax proceeds in credit unions. And Lake Oswego, Ore., a suburb of Portland with about 36,000 residents, is moving \$1.2 million from a state investment pool into six community-based banks that support local businesses, community organizations and civic groups.

Steamboat-shaped Bank of North Dakota, president Eric Hardmeyer. "Community banks are more likely to make loans to small businesses," says Brian Egolf, a Democrat from Santa Fe, N.M., who proposed a bill in the New Mexico House of Representatives in January that would let the state treasurer invest as much as \$5 billion in local banks and credit unions without the usual bidding process.

The proposed law also would award contracts to handle the state's money to local financial institutions if their bid for the job was within 10% of the amount offered by bigger banks. "It doesn't hurt that we are moving money out of the big banks that nearly destroyed the economy," Mr. Egolf says.

New Mexico's House passed the bill last month by a 65-0 vote. The proposal died when the legislative session ended, but New Mexico Deputy State Treasurer Mark Valdes says state officials decided to rewrite an investment policy so that they can invest some of the cash from its bond sales in local banks.

Mr. Egolf vows to revive his bill if lawmakers don't pursue it in a special session later this year.

Some states also are considering whether to establish their own state-owned banks, modeled after the 90-year-old Bank of North Dakota, the only one of its kind in the country. The bank, which has \$3.9 billion in assets, partners with private financial institutions to make loans to local businesses and has returned \$351 million to the state's general fund since 1997.

The bank has received inquiries from at least 10 states including California, Florida, Pennsylvania, Illinois and Michigan. "We have not seen this much interest in the bank cumulatively in our whole history," says Bank of North Dakota's president, Eric Hardmeyer.

So far, the moves don't amount to much more than embarrassment for U.S. banks already facing criticism from lawmakers and angry borrowers. But the resistance is spreading to other products peddled to state and local governments that are longtime cash cows.

This month, the Los Angeles City Council ordered city officials to try to renegotiate an interest-rate swap that is costing the city about \$19 million a year. Under the motion, firms that won't buckle would be banned from doing new business with Los Angeles.

It isn't unusual for elected officials to use deposits and their bully pulpit as leverage to spur community development or investments in poor neighborhoods. Richard Alarcón, a Los Angeles city council member, says the tough talk is gaining traction because of the economic crisis. The city council also voted to assign grades to banks with which the city does business, based on their small-business lending, foreclosure prevention and other measurements. City officials have until mid-April to draft an ordinance implementing the measure.

Scott Talbott, senior vice president for government affairs at the Financial Services Roundtable, a trade group representing large banks, wouldn't comment on specific legislation. Governments and consumers "should pick the financial institution that has the products and services that best suit their financial needs," he says. "That's good business practice."

More than 1,000 federally insured banks and savings institutions have been acquired, merged with other banks or failed since 2003, according to the Federal Deposit Insurance Corp. The five biggest financial institutions, led by Bank of America Corp., Wells Fargo & Co. and J.P. Morgan Chase & Co., now hold nearly 40% of U.S. deposits, up from 24% six years ago, according to SNL Financial, a research firm in Charlottesville, Va.

Last month, C. William Frick, a Democrat from Montgomery County, Md., introduced legislation in the Maryland House of Delegates that would allow state-chartered banks to win the state's business if their bid came within 10% of those from larger banks. Mr. Frick says the move was triggered by concerns about credit-card practices and overdraft fees.

"The federally chartered institutions come in here and tell us we can't regulate them because of federal pre-emption," he says. "We are powerless to stop them, yet we give them lucrative state contracts."

Kathleen Murphy, chief executive of the Maryland Bankers Association, a trade group that includes big and small lenders, says its government-relations council opposes the legislation. The trade group's members want all banks to have an equal shot at winning the state's business, she adds.

Bank of America now has Maryland's largest accounts. State officials usually put up the business for bids every three to five years. The banks provide check-cashing and other fee-based banking services to the state, which invests its own money.

Bank of America's relationships with state and local entities "are very important to us," a Bank of America spokesman says. He adds that Bank of America can help government respond to current challenges "with highly customized, sophisticated and cost-effective solutions."

It isn't easy for state and local governments to abandon big banks no matter how unpopular they are. In Maryland, state payroll contracts usually "end up going to larger banks ... because they need to have branches across the state," says Bernadette Benik, Maryland's chief deputy treasurer.

Bill has banks fearing power of the states

StarTribune

March 16, 2010

By: Chris Serres

Should state governments have the power to impose tougher regulations on big national banks within their borders?

A debate over that and other bank regulations is about to play out on the public stage -- as bankers, consumer advocates and members of Congress wrangle over what is considered the most dramatic expansion of the government's policing powers of financial institutions since the Great Depression.

U.S. Bancorp CEO Richard Davis said in an interview Tuesday that state regulatory power is the banking industry's "number one concern" in the 1,336 pages of financial regulations proposed this week by Senate Democrats. U.S. law now preempts states from imposing a checkerboard of rules on national banks. The Senate bill would change that.

"If we had one thing to fight for, it would be to protect preemption," said Davis, who is chairman of the Financial Services Roundtable, one of the banking industry's most powerful lobby groups.

Davis, in a question-and-answer session with the Star Tribune editorial board, said he expected Congress to pass a financial regulatory bill by May or June. He said the industry doesn't oppose everything in the measure.

"We will not gather over the next couple of days and pick apart everything that's wrong," he said. "We'll identify all the things we really, really like, and then we'll go to the nuances and say, 'If you can adjust these few things, this would be preferred.' That's a little different than, you know, standing around, putting your arms out and saying, 'I'm not going to do it.'"

In December, President Obama lashed out against "fat-cat bankers" on "60 Minutes" and exhorted a group of bankers who gathered at the White House to become more involved in the reform process -- without letting lobbyists control it.

Davis said the banks agreed "to change the dialogue, to start supporting things and not fighting things It's more becoming, and more productive."

One goal of the legislation is to limit the possibility of future bailouts by expanding the Federal Reserve's power over giant financial institutions. The bill would give the Fed authority over nonbank financial institutions large enough to "pose risks to the financial instability of the United States." It would also create a \$50 billion fund financed by the nation's largest financial institutions for liquidating insolvent ones.

Another proposal in the bill would create a new consumer financial protection bureau within the Fed that would have the power to prohibit abusive lending practices.

Davis said he has concerns about the consumer protection bureau, calling it "an additional level of inconsistent and unrelated oversight," but said the industry is not against consumer protection. He added that the industry is prepared to negotiate.

Thorny turf battle

Preemption is a thorny regulatory issue.

Currently, the Office of the Comptroller of the Currency, a federal agency, has sole authority to regulate nationally chartered banks such as U.S. Bancorp and

Wells Fargo. The banking industry has fought to preserve preemption, arguing that a patchwork of state rules and regulations would make it difficult to offer standard products across the country. For many banks, federal regulations are less burdensome.

Consumer advocacy groups and state regulators argue that the comptroller and other federal agencies are slow to react to marketplace changes. State governments, they say, should have authority to regulate risky practices like subprime lending.

In November, attorneys general from 40 states, including Minnesota's Lori Swanson, urged Congress to end preemption of state consumer protection laws.

Under existing law, the comptroller ruled in 2003 that federally chartered banks need not comply with a Georgia law to protect low-income and elderly people from predatory lending. In an earlier case, ordinances banning ATM surcharges passed by two California cities in 1999 didn't survive objections from Bank of America and Wells Fargo on grounds of preemption.

"A bad practice starts locally," said Gail Hillebrand, a senior attorney with the nonprofit advocacy group Consumers Union. "And if states aren't allowed to stamp it out, it spreads. The feds typically wait to react until it's a forest fire. By then, it's too late."

The banking industry counters that patchwork regulations hurt consumers, who could find that a service offered in one state isn't available in another. Banks might choose to eliminate services or increase fees for them in the face of state regulations, the industry argues.

"If you allow for 50 states to create a patchwork quilt of regulation ... where every one of them has a different type of rule on the same product, all of a sudden you have hundreds of different regulatory structures for the same thing," said Ken Clayton, senior vice president at the American Bankers Association in Washington. "That puts a real limitation on the ability of banks to serve customers on a nationwide basis at the lowest cost and with the least amount of complexity."

Dodd to offer his own financial regulation bill

Las Vegas Sun

March 18, 2010

With one eye on the calendar and the other on elusive bipartisanship, Senate Banking Committee Chairman Christopher Dodd plans to offer his own version of a sweeping overhaul of financial regulations without Republican support.

Dodd said Thursday he would release his proposal on Monday and begin the committee's work on the bill the week of March 22.

"Clearly, we need to move along," he said.

His decision immediately complicated the prospects for a Senate bill already months in the making, and it raised new questions about Congress' ability to respond to a financial crisis that erupted more than 18 months ago with the collapse of Lehman Brothers.

Four weeks of negotiations between Dodd, D-Conn., and Republican Sen. Bob Corker had closed differences over key provisions, including consumer protections, but details on that and other sticking points remained unsettled.

"As time moves on, you just limit the possibilities of getting something done, particularly a bill of this magnitude and this complexity," Dodd said.

Senate Majority Leader Harry Reid, D-Nev., said Thursday he hoped the Senate would act on a bill by Memorial Day.

Dodd's surprise decision to move without a final deal comes during an era of high partisanship in Congress that has entangled health care, blocked progress on climate change and energy legislation, and angered a public with an increasing disdain for incumbents.

Congress and the administration have been trying to assemble an overhaul of regulations since last summer in hopes of preventing a recurrence of the 2008 Wall Street meltdown. It has not been an easy task. The House passed its version of a bill in December on a party-line vote.

"It will continue to be a challenge to reach a bipartisan deal," said Scott Talbott, the chief lobbyist for the Financial Services Roundtable, an association of the banking industry.

Corker on Thursday said he and Dodd had made significant progress and had agreed in principle on consumer protections, one of the most contentious issues. He described himself as disappointed in Dodd's decision but said he expected Dodd's proposal would be more moderate than a bill Dodd drafted late last year.

"There has been no breakdown. Like, none," he said. "What happened was you're on the five-yard line, the lights went out."

Still, Corker blamed Dodd's rush to propose a new bill on the current dispute over health care and pressure on Dodd to offer a bill before the Senate puts the health care bill through a bitterly partisan fast-track process. "I understand the pressure that he is under," Corker said.

Dodd, who is retiring when his term ends in January, said the attention to health care was one of several factors driving the clock on financial regulations. He pointed out that this is an election year, and that there few opportunities ahead to get a bill through committee, pass it in the Senate and then reconcile the differences with the House version.

But Corker said that with a spring recess beginning on March 28, it would be a "travesty" if Dodd were to insist on getting the bill through the committee in one week.

Despite lingering differences, some key aspects of the legislation have bipartisan support. Those include a mechanism for take over and dismantling large, failing firms and forcing the financial industry to cover the costs, and to create a "systemic risk" council that includes the Treasury and the Federal Reserve to look out for firms and practices that could pose a risk to the entire financial system.

Dodd needs Republican support to get the 60-vote margin he needs to overcome delaying tactics. Earlier this year, Dodd tried to negotiate with the committee's ranking Republican, Sen. Richard Shelby of Alabama. When those talks stalled, Dodd turned to Corker, a junior senator from Tennessee.

In a statement Thursday, Shelby signaled that Dodd would now have to deal with all the committee Republicans as bloc. "As long as we remain focused on policy and not politics, an agreement is still very possible. The Republican members of the committee stand united and ready to work with Chairman Dodd toward that goal," he said.

Even if Corker and Dodd had settled their differences over a Consumer Financial Protection Agency, it could still emerge as a stumbling block. The president has made such an independent agency a central provision in the bill. The House version provides for such a stand alone agency, which would regulate institutions that offer credit, mortgages or other consumer financial products.

Republicans, bankers and many in the business sector oppose a separate agency, saying it would add another layer of regulation and bypass existing bank regulators.

Corker and Dodd had agreed to place such an agency inside the Federal Reserve. Corker said the latest agreement would have permitted bank regulators, under certain conditions, to appeal to a government risk council that would have the power to reject new consumer rules. The agency, however, would not have had enforcement powers.

Several Democrats on the Banking Committee have insisted on a freestanding agency, and others have demanded that the agency have autonomous powers to write regulations. But Dodd was unlikely to retreat too far from the common ground he had found with Corker.

Banks ready gantlet for Chris Dodd

Politico

March 17, 2010

By Victoria McGrane

Even before Senate Banking Committee Chairman Chris Dodd stepped up to the lectern Monday to discuss his latest financial reform bill, lobbyists across town were poring over the more than 1,300-page draft legislation.

And with that process began a mad-dash lobbying effort by trade groups and financial firms to make the massive legislative package more to their liking, a fight that will unfold faster than many in the industry would like because Dodd has set formal committee markup to begin March 22.

“In a lot of ways, this is like a quarterback taking three huge steps back in the hope of gaining first-down yardage. It gives him more room, but he also sometimes gets sacked,” David Hirschmann, president and chief executive officer of the U.S. Chamber of Commerce Center for Capital Markets Competitiveness, said of Dodd’s latest version. Many in the industry believe the bill is less friendly to them than it would have been if Dodd had continued drafting with his Republican colleagues.

Dodd abruptly announced last week that he would unveil his bill without Republican support because he needed to get the process going.

“If we spend the next two weeks just getting back to where we were, are we ultimately going to get to the end zone? ... Does this make it harder or easier to get to the endgame? And I don’t think anybody knows,” Hirschmann said.

For his part, Dodd is taking the sounds of unhappiness on all sides as a good sign. “There’s enough complaints about it, I think I’m on the right track,” he said.

One of the lobbyists' top targets, of course, will be the new consumer protection entity Dodd's bill would create under the Federal Reserve.

The location, scope, power and independence of the new consumer financial watchdog has long been at the top of the financial industry's hit list — and Dodd's latest draft hasn't changed that.

Banks, credit unions and financial firms that operate in more than one state are taking aim at language that would enable states to pass stronger consumer protection rules than the federal statutes. The language is similar, although a bit weaker, than that in the House-passed bill, industry sources say.

The Senate bill would allow for “the creation of 50 different state regimes. We believe that strong, uniform consumer protections are the most effective way to go,” said Scott Talbott, senior vice president of government affairs for the Financial Services Roundtable, which represents big financial firms.

Other banking trade groups, including the American Bankers Association and the Consumer Bankers Association, issued statements opposing the pre-emption language.

“The bill would overturn 150 years of federal pre-emption that have helped create an efficient nationwide banking system,” CBA President Richard Hunt said in a statement Monday.

“This would disrupt the uniform and efficient operation of the banking system, increase the cost of compliance and potentially confuse consumers and businesses with a hodgepodge of rules and regulations. Rather than streamlining banking regulation, consumers banking across state lines would be subject to different laws in different jurisdictions.”

The National Association of Federal Credit Unions is seeking a sponsor for an amendment that would allow its regulator, the National Credit Union Administration, to pre-empt any state law that it found “prevents or significantly interferes” with the ability of a credit union to operate.

Credit unions would also like the Senate to raise the threshold above which financial institutions would be subject to the consumer body's enforcement power. Right now, the bill would give the new entity enforcement and examination power over banks and credit unions with more than \$10 billion in assets. NAFCU is asking that the bar be raised to \$50 billion in assets, because only three federal credit unions would be hit at the \$10 billion mark, including Navy Federal and Pentagon Federal, which serve members of the military.

The U.S. Chamber of Commerce, which has been lobbying hard against the consumer financial protection agency since it was first proposed by the Obama administration, is already increasing its ad buys inside and outside the Beltway opposing the consumer piece in Dodd's bill.

The Chamber's Hirschmann said that while Dodd's draft takes a different direction on the consumer front — creating a new division rather than the stand-alone agency envisioned in the House bill — the trade group's concerns remain the same.

There's a clear attempt in some of the language to exclude some nonfinancial businesses from the consumer body's reach — a top Chamber goal — but at the same time the bill adds new, "very broad" definitions of "service provider" that could end up putting everybody back in," Hirschmann said.

The community banks, which have proved very powerful in shaping the legislation in the House, also would like to see existing bank regulators play a bigger role in the consumer body's rule-writing process than Dodd's bill currently allows, said Steve Verdier, a top lobbyist for the Independent Community Bankers of America.

Dodd's bill does set up a veto process under which a council of nine regulators could reject a rule written by the consumer body. But, Hirschmann said, the structure is "ineffective. It's so cumbersome as to never be used."

Consumer bureau at Federal Reserve would have autonomy

Phoenix Business Journal

March 19, 2010

By Kent Hoover

The financial regulatory reform bill unveiled by U.S. Sen. Chris Dodd, D-Conn., would create a consumer protection bureau within the Federal Reserve, but give it so much autonomy that it might as well be an independent agency.

Dodd, who chairs the Senate Banking Committee, plans to mark up his bill the week of March 22. Time is running out to get the legislation passed this year, he said, after breaking off weeks of negotiations with Republicans on a bipartisan bill.

"It's time now to make a decision," Dodd said.

The goal of the bill is to give regulators the tools they need to address future financial crises. It would establish a council of regulators to monitor and address

risks that large firms pose to the entire financial system, and establish a process for orderly liquidations of such firms if they're failing.

The most controversial provision of the bill, however, is its creation of a new office that would write and enforce new consumer protection rules for financial services or products.

A similar House bill, which passed in December, called for the creation of a Consumer Financial Protection Agency. Banks and business groups contended that would create an unneeded additional layer of regulation and make credit harder to get.

Instead of creating an entirely new agency, Dodd's bill would establish a Consumer Financial Protection Bureau as part of the Federal Reserve. The Fed, however, wouldn't have "one iota of authority" over the consumer protection office's budget or operations, Dodd said. The bureau's director would be nominated by the president and confirmed by the Senate.

Fairness a 'qualitative judgment'

The bureau would write consumer protection rules for all entities that offer consumer financial services or products. It also would enforce these regulations at banks and credit unions with assets of more than \$10 billion; mortgage-related businesses; and large nonbank financial companies, such as payday lenders.

With such powers, the bureau may be housed at the Fed, but it would only be "renting space," said Ernie Patrikis, a former first vice president of the Federal Reserve Bank of New York who now is a partner in the banking practice of White & Case in New York.

"If you didn't like the consumer protection agency, you're not going to like the consumer protection bureau," Patrikis said.

The bureau would conduct its own examinations to make sure large financial institutions are following its rules. Banking regulators would enforce consumer protections at smaller institutions.

The bureau would consult with banking regulators on its examinations to reduce the regulatory burden, Dodd said. Banking regulators also could appeal the consumer bureau's regulations to the new systemic risk council if they believe the rules would jeopardize the safety and soundness of the banking system.

A two-thirds vote by this council would be required to overturn the bureau's rules, however. Patrikis doubts the council would exercise such veto power.

“That’s a nuclear bomb review,” he said.

Joseph Lynyak, a banking regulatory attorney in Venable’s Los Angeles office, agrees that Dodd’s bill would, in effect, make the consumer bureau an independent agency. But he expects it would have to delegate its examination authority to other regulators.

“There’s simply not enough examiners in the United States,” he said.

The creation of the bureau, however, indicates the U.S. is “entering into a new stage of consumerism,” he said. Banks would have to make “a qualitative judgment” on whether products that are legal are unfair to consumers.

“That’s a major, major change in the way we’ve approached consumer protection,” he said.

Bankers don’t like proposal

Public Citizen, a consumer advocacy organization, is disappointed that Dodd’s bill has the bureau housed at the Fed, “an agency that utterly failed to exercise its consumer protection duties during the run-up to the financial crisis,” said Robert Weissman, the organization’s president. But, he added, “it does appear that the bill gives the bureau substantial autonomy, rule-making and enforcement power.”

Such autonomy troubles the banking industry.

“Consumer protection should not be separated out from the regulators which govern the products,” said Steve Bartlett, president and CEO of the Financial Services Roundtable. The American Bankers Association agrees.

The National Association of Federal Credit Unions has a different complaint: Why should the bureau have authority over those institutions?

“Credit unions did not cause the financial crisis,” said NAFCU President Fred Becker. “Moreover, in today’s extremely challenging economic and regulatory environment, credit unions cannot afford any new, unnecessary regulation.”

Private Loan Mods Outnumbering Govt. Mods

CNBC

March 17, 2010

By Diana Olick

The Hope Now Alliance, "the private sector alliance of mortgage servicers, investors, mortgage insurers and non-profit counselors," reported today:

January 2010 data estimates 99,499 homeowners received proprietary loan modifications for the month. Combined with the United States Treasury's recently released Home Affordable Modification Program (HAMP) data that showed 50,364 HAMP modifications for January, the total number of loan modifications is almost 150,000 for the month.

Most significant in the data is the fact that 74% of proprietary loan modifications done in January involved reductions of principal and interest payments - more than 73,000 loans. Also, it should be noted that proprietary non-HAMP solutions outnumbered HAMP modifications almost two to one; further proof that the industry is looking at a breadth of solutions designed to keep families in their homes.

Just to be clear, proprietary loan modifications are those done outside of the government's \$75 billion Home Affordable Modification Program. So those mods are being done at a rate of twice the HAMP mods.

Why?

I asked Faith Schwartz, Executive Director of the Hope Now Alliance.

"We know approximately 25 percent of foreclosures (on paper documented) are investor properties—Also note, for many loans, the occupancy may have become the issue, even if originally owner occupied. So, on paper they look like occupied but addresses are different and they no longer live there. So that would also translate to mods that fall outside of the Government programs—jumbo's, and then of course, the many mods that do not document properly to get government assistance. That is a big number."

The qualification standards for HAMP are high...can't be an investor, can't be a second home, can't be a jumbo loan, and more. The good news is that these loans are in fact being modified, some of them actually getting principal write downs, unlike the bulk of HAMP mods.

"I think we need to pay more attention to the fact that all the non-HAMP mods are NOT government subsidized, and that is also a good thing," adds Schwartz.

BNY Mellon's Robert Kelly Interviewed on Financial Regulation

Bloomberg
March 19, 2010

Robert Kelly, chief executive officer of Bank of New York Mellon Corp., talks with Bloomberg's Margaret Brennan about the outlook for an overhaul of U.S. financial regulation. The Senate is preparing to advance legislation from Banking Committee Chairman Christopher Dodd next week that would overhaul U.S. financial rules governing Wall Street.

Click [here](#) to view the full interview

Bartlett Says Bank Lobby Seeks Uniform Rules in Overhaul
Bloomberg
March 19, 2010

Steve Bartlett, president of the Financial Services Roundtable, talks with Bloomberg's Mark Crumpton about the need for systemic oversight and uniform rules under an overhaul of U.S. financial regulation. The Senate is preparing to advance legislation from Banking Committee Chairman Christopher Dodd next week that would overhaul rules governing the financial industry.

Click [here](#) to view the video clip.

This week's real estate stories
Wall Street Journal Market Watch
March 19, 2010
By Amy Hoak

Nearly 150,000 homeowners received mortgage modifications in January, according to Hope Now, an alliance of mortgage servicers, investors, mortgage insurers and non-profit counselors. According to a news release, 50,364 of those modifications were through the government's Home Affordable Modification Program.

But that month, non-HAMP modifications outnumbered HAMP modifications by almost a 2-1 majority, Hope Now pointed out in its release this week. That's "further proof that the industry is looking at a breadth of solutions designed to keep families in their homes," the group said.

Yet there are still countless horror stories of homeowners who attempt a modification and fail, including the story of one family's hardship featured on MarketWatch this week. The Gentrys thought they were eligible for a modification

-- until they were notified in a recorded message from the bank that their home was in foreclosure.

Read more real estate news in this week's pages, including information about the government's effort to improve the short-sale process, as well as the eight things you must consider before walking away from your home.

And read the two-part series on the Gentry family's struggle to keep their home. The number of people on the verge of losing their home is staggering, but putting a face to those numbers illustrates just how painful the problem really is.

Fate of Volcker Rule May Hinge on Dodd's 'Shall' Becoming 'May'
Bloomberg Business Week
March 22, 2010
By Alison Vekshin and Yalman Onaran

The fate of the Volcker rule, which would ban proprietary trading at U.S. banks, may hinge on the word "shall."

Lobbyists for financial firms are seeking to water down language in Section 619 of the 1,336-page bill proposed last week by Senate Banking Committee Chairman Christopher Dodd. Their message: Study the issue first to see if it's needed, then give regulators the option of imposing a ban.

The current language in the draft says federal agencies "shall issue final regulations implementing" the Volcker rule, which was proposed by the Obama administration in January and named after former Federal Reserve Chairman Paul A. Volcker, now a presidential adviser.

"We believe the regulators should have the discretion to deal with the situation on a company-by-company basis," said Scott Talbott, senior vice president of government affairs at the Financial Services Roundtable, a Washington-based trade group. "You can't have a blanket prohibition on proven risk- management techniques."

When senators meet to debate changes, "our hope is that they change 'must' to 'may,'" Talbott said.

Lobbyists are moving to weaken the proposal as the Senate Banking Committee today begins weighing amendments to Dodd's financial overhaul legislation. The bill would create a consumer-protection bureau housed at the Fed, empower the Fed to break up large firms that pose a "grave threat" to U.S. economic stability

and establish a nine-member Financial Stability Oversight Council of federal regulators to identify and respond to systemic risks.

Trading Ban

The Volcker rule is one of the most contentious aspects of Dodd's bill. It would require federal banking agencies to issue rules banning proprietary trading as well as investment in and sponsorship of hedge funds and private-equity funds at banks, bank holding companies or their subsidiaries.

If implemented, the rule could reduce the 2011 profits of the eight biggest global banks by \$11 billion, JPMorgan Chase & Co. estimated in a February report. That forecast, which assumed a 10 percent reduction in trading revenue, excluded the impact on JPMorgan.

The hardest-hit firm would be New York-based Goldman Sachs Group Inc., with a \$2.3 billion drop in earnings, according to the report.

The bank has said that betting its own money generates about 10 percent of its annual revenue. The firm made \$1.17 billion in 2009 from "principal investments," which include stakes in companies and real estate, according to a company filing. Goldman Sachs Asset Management also oversees private equity and hedge funds for clients.

JPMorgan Hedge Fund

JPMorgan's pretax income could fall by \$3.2 billion if it were forced to comply with the rule, Goldman Sachs said in a January report. The bank, the second-largest in the U.S. by assets, operates the biggest hedge fund in the world, according to the 2009 rankings of AR magazine, an industry trade publication. The New York-based firm's hedge funds had \$50 billion of assets under management as of Jan. 1, the magazine reported this month.

Goldman Sachs's hedge funds, which ranked ninth on the list, had \$21 billion.

Jennifer Zuccarelli, a spokeswoman for JPMorgan, and Goldman Sachs spokesman Michael DuVally declined to comment.

Section 620

Another element of the Volcker rule, spelled out in Section 620 of Dodd's bill, would prevent banks from acquiring or merging with competitors if the resulting entity's liabilities exceed 10 percent of the total U.S. banking system.

The three largest U.S. banks by assets -- Bank of America Corp., JPMorgan and Wells Fargo & Co. -- are already above the threshold and wouldn't be able to expand further through acquisitions. The Dodd draft allows regulators to make exceptions for mergers during a financial crisis.

Volcker, 82, first called for a ban on proprietary trading by commercial banks in a January 2009 report he helped write as chairman of the Group of 30, which includes former central bank chiefs and economic officials from around the world.

He has argued that banks, which are backed by federal deposit insurance, shouldn't use capital to take oversized risks by trading for their own accounts or engage in hedge-fund and private-equity activities. Separating those businesses from the core function of banking would prevent the government from having to bail out financial institutions that take such risks, Volcker has said in testimony and interviews.

'Doesn't Make Sense'

Bank lobbyists say the Volcker rule would end practices that didn't contribute to the financial crisis and are essential to making markets work. They also say it could restrict trading for clients.

"It doesn't make sense to impose a ban on something that hasn't proven to be a problem," Ken Bentsen, executive vice president for public policy and advocacy at the Securities Industry and Financial Markets Association, said in a March 18 telephone interview. "No one has pointed to these activities within the financial sector and said they were a cause of the financial crisis."

Bentsen, whose group represents banks including Morgan Stanley and Goldman Sachs, said he wants the financial stability oversight council that the Dodd bill would create to study whether a ban on proprietary trading is necessary. The current draft calls for the council to conduct a six-month study and recommend regulations. Agencies would have nine months to issue rules, which would go into effect two years later.

ABA Objections

The American Bankers Association, a Washington-based trade group, has also questioned Dodd's approach to the Volcker rule.

"You should not leave the policy on prohibitions to regulators," he said. "They will be under industry and political pressure to relax standards and make

exceptions during good times. A law is something that they must follow. The regulators should be involved in shaping the detailed implementation.”

‘Help Focus’

Volcker also said that far from hurting clients, the restrictions would “help focus the bank’s management on their client’s needs and business.”

The Obama administration didn’t propose the Volcker rule until after the House of Representatives passed financial reform legislation in December. That bill empowers the Fed to ban proprietary trading at a financial holding company if it determines the activity poses a threat to the safety and soundness of the company or to U.S. financial stability. It doesn’t require that such activities be barred.

“We think Senator Dodd put in strong Volcker rule provisions,” Treasury Deputy Secretary Neal Wolin said in a March 17 Bloomberg Television interview. “We provided language to the Hill, and we’re pleased Senator Dodd included that.”

Three bank lobbyists who spoke on the condition their names not be revealed because of ongoing discussions about the legislation said they were surprised by the bill’s language. All of them said they didn’t expect any mention of the Volcker rule in Dodd’s draft.

399 Amendments

Dodd has scheduled a meeting of his committee at 5 p.m. today to begin considering some of the 399 amendments that his spokeswoman Kirstin Brost said he received. The committee is expected to continue holding open meetings throughout the week to debate and vote on changes before voting on the whole bill. It’s unclear if the committee will complete that process this week, ahead of a two-week congressional recess.

The committee is expected to approve the bill since Democrats hold 13 of the 23 seats.

No Republican has offered to support Dodd’s draft. Alabama Senator Richard Shelby, the committee’s top Republican, last month broke off talks to craft a bipartisan financial overhaul after he and Dodd couldn’t agree on the consumer protection piece of the legislation. Dodd’s efforts to reach a compromise with Senator Bob Corker, a Tennessee Republican, also failed.

Republican Support

While Dodd is expected to advance the bill through his committee, he will need at least one Republican vote and the support of all the Democrats and independents in the Senate to get the 60 votes necessary to block a filibuster. He will also need to reconcile whatever bill may pass in the Senate with the House version.

“We could get a good bill, we could get a sweeping bill, we could get a substantive bill or we can get no bill,” Shelby said at a March 18 ABA conference in Washington.

Shelby has been open to the Volcker rule, saying he wants to make sure regulators don't already have the power.

“The regulators ought to have any power -- every power -- to make sure that there's not systemic failure in our banking system,” Shelby said at the conference.

Senator Judd Gregg, a New Hampshire Republican, also expressed qualified support for the Volcker rule.

“I am not philosophically opposed to the Volcker approach if it's done right,” Gregg, who is also on the banking committee, said in a March 19 telephone interview. Dodd's approach gives “too much power to the regulators,” he said.

Financial lobbyists are also opposed to language in Dodd's bill that would strengthen the ability of state consumer- protection laws to override federal rules, charge the largest financial firms \$50 billion to support a fund that will be used to liquidate failing companies and strip the Fed of its authority to oversee state-chartered banks.

With time running out to get a bill through Congress this year, “it's in the interest of the Republicans to slow things down because that gives them more leverage to negotiate,” ABA President Edward Yingling said at his group's conference on March 17. “It's in the interest of Senator Dodd to go ahead and get this bill out of committee.”

Pay czar widens review of executive pay at banks

The Washington Post

March 23, 2010

By Zachary Goldfarb and David Cho

The government's point man on executive compensation is broadening his review of how Goldman Sachs, Morgan Stanley and hundreds of other banks compensated top executives during the height of the financial crisis in 2008, and

he may seek to have bonuses and other compensation repaid, according to government officials familiar with the review.

Kenneth R. Feinberg, the special master for compensation, is slated to send a letter on Tuesday, asking for details about compensation to top executives, to 419 banks that received assistance as part of the Treasury Department's financial rescue program.

The letter could presage a test of the government's ability to use moral suasion to encourage executives to return paychecks that might fuel public resentment.

Feinberg does not have the power over bonuses paid at the end of 2008. That's because his authority over compensation starts at Feb. 17, 2009 -- the date that President Obama signed into law the \$787 billion stimulus package that also granted Treasury the power to shape compensation at places that took a bailout.

However, Feinberg could use the bully pulpit if he deems compensation to have been excessive during the period starting when firms first received taxpayer aid in October 2008 and until the passage of stimulus legislation.

The criteria for deciding excessive compensation is vague -- it must be "contrary to the public interest," according to the guiding law. Feinberg hasn't yet decided what parameters to use.

The "look back letter" from Feinberg, as required by law, will give companies 30 days to furnish the requested information. It concerns only executives who earned more than \$500,000 during the four-month period under examination.

Industry representatives said they did not expect to clash with Feinberg over the new pay review. Banks "will work with Mr. Feinberg to demonstrate that the industry has eliminated pay practices that encouraged excessive risk-taking," said Scott Talbott, senior vice president with the Financial Services Roundtable, which represents the largest banks.

The issue of executive compensation has become a lightning rod on Capitol Hill and around the country; public anger surged against Wall Street firms paying hefty compensation packages to employees despite needing taxpayer aid.

Feinberg has been trying to use his role as pay czar not only to limit what he deems excessive pay but also to encourage pay structures that reduce incentives for risk-taking and that tie compensation to long-term performance.

Until recently, Feinberg has focused his attention on seven of the biggest bailout recipients, for which he slashed compensation by about 50 percent last fall. Two of those recipients, Citigroup and Bank of America, have since repaid government aid and largely escaped his oversight.

At American International Group, Feinberg was able to pressure employees to return parts of their compensation over which he did not have authority by threatening to limit future pay.

Banks experienced massive losses in 2008, which limited the size of bonuses and other incentive pay for many executives. But in evaluating whether individual banks' pay practices were reasonable, Feinberg needs to differentiate the institutions, said James Angel, a finance professor at Georgetown University's McDonough School of Business.

"On one hand, some of these banks were effectively forced to take TARP money," said Angel, who has studied executive compensation. "But you could also argue that the executives of surviving banks should not be compensated highly because it wasn't really their particular skill, it was their luck that they were in an institution that survived when the government bailed out the financial system."

Separately, Feinberg on Tuesday is scheduled to release his 2010 compensation decisions for the five remaining firms that received significant government bailouts -- AIG, General Motors, GMAC, Chrysler and Chrysler Financial -- but have not fully repaid that federal aid.

Sen. Dodd's Prescription for Reg Reform Is a Mixed Blessing for CUs
Credit Union Times
March 24, 2010
By Claude R. Marx

For credit unions, Senate Banking Committee Chairman Christopher Dodd's proposed regulatory overhaul is both the best of bills and the worst of bills.

On the plus side, most credit unions wouldn't have to worry about an additional examination, nonbanks would face more regulation and credit unions aren't perceived as a potential systemic risk.

On the down side, there would be an unknown entity making consumer rules that may not understand the uniqueness of credit unions and with that may come greater compliance costs. Also, federal laws wouldn't preempt most existing state laws.

Sen. Dodd (D-Conn.) unveiled the bill on March 15, with no co-sponsors on either side of the aisle, following extensive negotiations with Republican committee members. The panel is marking up the bill this week, and he has said he hopes to complete work by the time lawmakers leave for recess at the end of the week. The full Senate would then likely take it up in April or May, and if it passes a bill, it would have to be reconciled with the regulatory restructuring bill passed by the House last December.

The bill would create a Consumer Financial Protection Bureau housed in the Federal Reserve and headed by someone appointed by the president with the advice and consent of the Senate.

All credit unions would have to comply with the rules issued by the CFPB, but the NCUA would handle the enforcement for institutions that have assets of \$10 billion or less. The three credit unions with assets of more than \$10 billion—Navy FCU, Pentagon FCU and State Employees Credit Union—would be subject to consumer-related examinations by the CFPB, while the NCUA or a state regulator would handle the safety and soundness examinations.

CUNA and NAFCU said they plan to ask lawmakers to introduce an amendment raising the threshold to \$50 billion, indexed for inflation. The House-passed bill also contains a \$10 billion threshold, which was raised from \$1.5 billion at the behest of credit union trade groups.

CUNA Vice President for Legislative Affairs Ryan Donovan said his group's arguments would stress that by their nature credit unions are focused on treating consumers well and "if our members don't protect consumers, then they will lose members."

NAFCU is emphasizing that two of three largest credit unions primarily serve the military and any additional compliance costs would be paid for by those defending the nation and their families.

Both groups said the new bureau would cause some credit unions to spend more on compliance. Neither offered up an overall cost estimate.

Under the bill, nonbank lenders, such as mortgage companies and payday lenders, would be subject to examinations by the CFPB. Currently, those entities are mostly regulated by states.

"That would lessen their competitive advantage over credit unions, and we see that as a net plus," Donovan said.

CUNA and NAFCU are at odds on the issue of federal preemption of state laws. Dodd's bill would allow states to enact stronger regulations than those of the federal government.

NAFCU is pushing for an amendment that would let the NCUA preempt any law that "prevents or significantly interferes" with the ability of a credit union to operate.

NAFCU Executive Vice President of Government Affairs Dan Berger said his group has found some interest among lawmakers for the amendment. Other groups with similar positions include the American Bankers Association and the Financial Services Roundtable, which represents large financial firms. They contend allowing different sets of consumer rules would make it hard for financial service providers that operate across state lines and would overturn 150 years of precedent.

On the flip side, Donovan said while his group is still reviewing the Dodd bill, it will work to ensure there is no preemption of state laws.

NCUA Director of Public and Congressional Affairs John McKechnie said his agency has "always used its preemption authority lightly, and we don't expect to be adversely affected by these proposed changes."

NASCUS, which has long been concerned about federal encroachment of state power, didn't comment on Dodd's proposal but has said throughout the legislative process that it will work to protect state autonomy and be certain that federal rules are a floor, rather than a ceiling.

The new consumer bureau's rules could be overturned by a two-thirds vote of the newly created Systemic Risk Council, made up of the heads of several key financial regulators, though not the NCUA.

At a news conference unveiling his bill, Dodd said in response to a question from Credit Union Times that the new regulator will be a "strong and independent consumer watchdog." And while he conceded that the bill "won't stop the next [financial] crisis from occurring," he predicted it will provide future generations with the tools needed to curb practices that have caused many problems to the financial system.

Sen. Bob Corker (R-Tenn.), the lead negotiator for the GOP on the issue, praised the bill for including many components supported by his party—including placing the consumer regulator inside the Fed rather than as an independent agency as proposed by President Obama. However, he said he's not pleased with the overall

bill and would use the committee markup to try to get a bill that can get bipartisan support.

CUNA and NAFCU said they are pleased that Dodd's proposal wouldn't require credit unions to have to contribute to any fund aimed at rescuing for-profit companies deemed too big to fail. The bill also doesn't place executive compensation restrictions on not-for-profit financial institutions, such as credit unions.

Dodd's bill creates an Orderly Liquidation Fund, financed by mandated contributions from "eligible financial companies," which include large bank holding companies.

Under the House-passed bill, the Federal Reserve would handle the regulation and the FDIC would administer a fund aimed at rescuing troubled institutions. But lawmakers approved an amendment exempting financial institutions with assets of \$50 billion or less—which includes all credit unions—from contributing to the fund.

While there will be much discussion of the merits of Dodd's legislation, political factors will play a significant role in whether the Senate passes a bill.

While some committee Republicans have praised parts of the bill, the relations between the parties have been especially tense recently, fueled in part by the Democrats' threats to circumvent normal Senate channels to pass health care legislation.

Corker told reporters that while there will be some bitterness among Republicans about the health care process, "I hope most members will consider this issue on its own merits."

NAFCU Director of Legislative Affairs Brad Thaler gave "better than 50-50 odds that the Senate will pass something," but Dodd still has a great deal of work to do to seal the deal.

Dodd will be walking a legislative tight rope. He needs to find ways to win over some Republicans while not alienating liberals in his own party.

Some Senate Democrats and Sen. Bernard Sanders (I-Vt.) have pushed forcefully for having the consumer financial regulator as an independent agency. While Sanders isn't on the Banking Committee, his vote will be up for grabs, especially if the final vote count is close.

This November's elections could motivate lawmakers to act.

"Nobody wants to face the voters having helped Wall Street without having taking steps to help Main Street," Thaler said.

The Fate Of Volcker Rule Depends On “Shall” Becoming “May” (JPM)

Benzinga

March 22, 2010

By Ed Listen

Last week Senate Banking Committee Chairman, Christopher Dodd, proposed the financial overhaul legislation. The Volcker Rule is a part of this legislation. Now the lobbyists of financial firms are seeking a relaxation in the language in Section 619 of the bill. They are of the view that the issue needs to be studied and an assessment made of its requirement, then the regulators should be given the option of imposing the ban.

The Volcker rule was proposed by the Obama administration in January and it is named after former Federal Reserve Chairman Paul A. Volcker, who is now a presidential adviser. The draft legislation moved by Christopher Dodd currently states that federal agencies “shall issue final regulations implementing” the Volcker rule. Volcker had first come out with the demand of banning proprietary trade by banks in a report in January 2009. This report was co-written by him as Chairman of the Group of 30, which comprised of former central bank chiefs and other economic officials from all over the world. His argument was that banks, which happen to be backed by federal deposit insurance, should not have the liberty of using capital to take huge risks by trading on their own accounts, or by engaging in hedge-fund and other private-equity activities. Once these businesses are separated from the core banking function the government will not have to bail out financial institutions that take such risks.

Scott Talbott, Senoir Vice President of government affairs at the Financial Services Roundtable, a Washington based trade group, said “We believe the regulators should have the discretion to deal with the situation on a company-by-company basis. You can’t have a blanket prohibition on proven risk-management techniques.” Lobbyists are demanding that the “shall” be changed to “may” in the draft legislation. Whereby it is left to the regulators to decide individual cases based on the merits of the case, rather than a blanket ban.

In a February report, JPMorgan Chase & Co (NYSE: JPM) estimated that if the Volcker rule is implemented, the 2011 profits of the eight biggest global banks (excluding JPMorgan) would fall by \$11 billion. The American Bankers Association’s top lobbyist, Floyd Stoner, said in an interview “We have concerns

about specific requirements that may be difficult to implement in practice. We understand that there may be a desire to give regulators authority to address specific issues, but we are very concerned about mandates.” However, Volcker feels leaving it to regulators to decide will dilute the purpose of the legislation. The policy on prohibitions cannot be left to regulators; they can be involved in implementation. Else industry and political pressures may lead them to relax standards and make exceptions when good times are prevailing. He is also of the strong view that rather than hurting clients these restrictions will focus the bank management on the client’s needs.

Banks on verge of losing student lending business

Associated Press

March 24, 2010

By Jim Kuhnhenn

Banks and other private lenders are about to lose a \$70 billion-a-year student loan business, part of a massive overhaul of college assistance programs that has received an unexpected boost from President Barack Obama's health care success.

Industry lobbyists have watched helplessly as Democrats and the Obama administration appear on the verge of shifting student lending from private banks to the federal government.

Under the measure, private banks would no longer get fees from the government for acting as middlemen in loans to low- and middle-income students. With those savings, the government would increase Pell Grants to needy students and make it easier for workers burdened by student loans to pay them back.

The bill would mean the loss of billions of dollars in business to student lending giant Sallie Mae as well as large financial institutions such as Citigroup, JPMorgan Chase and Bank of America.

In an unusual twist, the fate of the student loan overhaul went from certain death in the Senate to certain victory thanks to Republican Scott Brown's election in January in the race for the seat of the late Sen. Edward Kennedy.

Until then, the legislation was not moving in the Senate because it lacked 60 votes to overcome a filibuster. But after Brown's election, Democrats decided that their health care initiative could pass only if Congress approved a companion bill that resolved differences between the House and Senate. That expedited measure requires only a simple majority vote.

The companion bill became a home to the student lending proposal and gave it a new lease on life.

The Senate began debating that bill Tuesday and is set to vote on it later this week.

Earlier this month, six Democratic senators — Ben Nelson of Nebraska, Blanche Lincoln of Arkansas, Mark Warner and Jim Webb of Virginia, Tom Carper of Delaware and Bill Nelson of Florida — wrote a letter to Senate Majority Leader Harry Reid voicing concern over the president's lending overhaul plan.

But on Wednesday, only two of them — Ben Nelson and Lincoln — indicated they planned to vote against the Senate "fix it" bill. Nelson's home state is headquarters for Nelnet, another major lender and a big employer in the state.

"I think there are efficiencies in the private sector that you don't have in the government, but it's not going to affect my vote on reconciliation," Webb said.

Private lenders have conducted an all-out lobbying effort against the bill, arguing it would cost thousands of jobs and unnecessarily put the program in the hands of the government.

"The industry plays a role in maintaining competition and choice," said Scott Talbott, the chief lobbyist for the Financial Services Roundtable, an industry group. "If the government is the only lender, there is no choice."

Under the college lending program, financial institutions provide college loans at low interest rates, and the government guarantees the loans in the event of default and subsidizes private lenders when necessary to keep rates low.

"This is a case of corporate welfare, a giveaway to bankers and to Sallie Mae," said Sen. Tom Harkin, D-Iowa.

Republicans portray the direct lending plan as part of a pattern of government takeovers. Citing the health care bill and the government's bailout of the financial and automobile industries, Sen. Judd Gregg, R-N.H., said the student loan bill "is the fourth major step forward in the push to drive this country down a road towards a European-style government."

The bill would see \$61 billion in savings over 10 years from the switch to direct government lending. It would pay for Pell Grants and provide more than \$4 billion to community colleges and historically black colleges. It also would direct about \$19 billion to reducing the deficit and offsetting expenses in the health care legislation.

In addition, beginning in 2014, college graduates would be allowed to devote no more than 10 percent of their monthly income to repay their student loans. The current cap is 15 percent.

Still, the legislation is not as generous as the bill the House passed last year.

It proposes no increases in Pell Grants over the next two years and a modest increase over the five years that follow. The maximum Pell Grant, which a House-passed bill last year would have raised to \$6,900 over 10 years, will now only increase to \$5,900. The current maximum grant for the coming school year is \$5,500.

Carper said he worked with for-profit and nonprofit lenders to find a way for them to continue to be involved servicing and originating loans.

"Our challenge was to come up with an approach where we could generate the kind of budget savings that were generated by the president's proposal," he said. "We simply could not get there."

**Big Banks Begin Effort to Improve Image, Set 'Record Straight'
Bloomberg Business Week
March 24, 2010
By Julianna Goldman and Robert Schmidt**

One of Wall Street's main lobbying groups is starting an image-improvement campaign aimed at showing the financial industry as trustworthy and a positive force after more than a year of being chastised in Washington.

The board of the Financial Services Roundtable, which represents the 150 largest banks and insurance companies in the U.S., discussed the effort last week at a meeting in New York. The public relations campaign, which will come to fruition as the mid-term election season heats up, is being led by three firms: public relations specialists APCO Worldwide, pollster Luntz Maslansky Strategic Research and DDB, an advertising agency owned by New York-based Omnicom Group Inc.

"The financial services industry is dedicated to earning back the trust of the American people, and is engaging in a comprehensive effort to communicate directly with them," the Roundtable said earlier this year in a letter soliciting proposals from public relations firms. "Past experience in successful reputation enhancement campaigns is valued."

The group, whose membership includes New York-based JPMorgan Chase & Co. and Citigroup Inc., hasn't decided on the campaign's specifics or scope, said Scott Talbott, chief lobbyist for the Roundtable. Initially, it will focus on setting up a Web site and using other "social media," such as Twitter or Facebook, he said.

'Positive Benefits'

"The only ones out there talking are our critics, and it's our turn to set the record straight," Talbott said. "Our focus is two things -- one, to have a conversation with our customers and two, to demonstrate the positive benefits the industry brings to the economy and consumers' lives."

The critics include Congress, where the Senate Banking Committee on March 22 passed a regulatory overhaul bill that is opposed by many in the industry. The Obama administration also has not shied away from lambasting bankers.

"If these folks want a fight, it's a fight I'm ready to have," President Barack Obama said in January.

The Wall Street offensive comes ahead of a mid-term election season in which polls have shown voters remain angry about taxpayer bailouts for businesses during the worst recession since the Great Depression.

Along with the federal government, Wall Street will be the frequent target of political attacks, said Evan Tracey, president of Kantar Media's Campaign Media Analysis Group in Arlington, Virginia.

'Convenient Villain'

"Every election has its convenient villain," said Tracey, whose firm specializes in tracking and analysis of political advertising. "Wall Street is clearly going to be in the crosshairs of a lot of the candidates running for office this year."

He also said November's vote "is really the first major election since the country's had the chance to digest the too-big-to-fail mentalities" that helped fuel the bailouts of the financial services industry.

A new Bloomberg National Poll found that almost two-thirds of Americans said they have an unfavorable opinion of business executives, a rating that rivals the public's disdain for Congress, which was viewed with disfavor by 67 percent of respondents.

Also, 56 percent said they would support government action to limit compensation of those who helped cause the financial crisis, or to ban those people from working in the banking industry.

The survey of 1,002 U.S. adults was conducted March 19-22 by Selzer & Co. of Des Moines, Iowa; its margin of error is plus or minus 3.1 percentage points.

Tracey questioned the potential effectiveness of the financial industry's public relations effort.

No 'Silver Bullet'

"It's not going to be a silver bullet for them in terms of changing what's going on," Tracey said. "There's going to be an awful lot of negative chatter about Wall Street in the context of the midterm elections."

Obama administration officials have said that with enactment of regulatory overhaul a priority for the president by the end of the year, 2010 candidates will have to take a stand as either being on the side of banks or the public.

"We know firsthand that when you try to change the status quo in Washington, the special interests and the lobbyists are going to fight hard, but ushering in new rules of the road for our financial system and establishing new consumer protections for American families is well worth the fight," said White House deputy communications director, Jen Psaki.

With its victory on health care legislation, the Obama administration is turning more of its attention to rewriting financial regulations.

Proposals 'Essential'

In his March 20 weekly address on the radio and Internet, Obama called the regulatory proposals being considered in Congress "essential."

"We need common-sense rules that will allow markets to function fairly and freely while reining in the worst practices of the financial industry," he said.

Since the beginning of 2009, large banks and financial firms have spent more than \$500 million on lobbying and campaign contributions, according to data from the Center for Responsive Politics.

The U.S. Chamber of Commerce, the largest U.S. business lobby, spent \$144 million last year to influence federal officials, according to Senate records.

The bill approved by the Senate banking panel would create a consumer protection bureau at the Fed to police banks for lending abuses and set up a nine-member council of regulators to identify and respond to risks in the financial system. The bill would set up a mechanism for dismantling large firms that are failing and give shareholders a non-binding vote on executive pay.

Financial industry concerns about the measure include limits on proprietary trading and restrictions on owning hedge and private equity funds.

Social media and cloud computing for financial services

SearchFinancialSecurity.com

March 24, 2010

Paul Smocer, Vice President of Security at BITS Financial Services Roundtable, interviewed with Marcia Savage of SearchFinancialSecurity.com, while attending RSA earlier this month. In part one of the two part interview, Paul discusses the use of social media and cloud computing by financial services firms, including the inherent risks, and what you can do to mitigate them.

Click [here](#) to watch the first part of the interview.

Malware and email authentication for financial

SearchFinancialSecurity.com

March 24, 2010

Malware and email authentication are two of the biggest topics regarding financial services firms security. Paul Smocer, Vice President of Security at BITS Financial Services Roundtable, discusses the threats and mitigation options in his second interview with Marcia Savage from SearchFinancialSecurity.com.

Click [here](#) to watch the second part of the interview.

HOPE LoanPort Names CEO and Board of Directors

DSNews.com

March 24, 2010

By Brittany Dunn

Seven housing industry veterans have been selected to lead HOPE LoanPort, HOPE NOW's Web-based tool that streamlines the submission of completed loan modification applications. In an announcement Wednesday, the organization named its CEO and the six individuals that will serve on its board of directors.

Larry Gilmore, the current deputy director of the HOPE NOW alliance, was appointed as CEO of the new Web portal. He has worked with HOPE NOW since its inception in 2007 and will transition from his role within the alliance to oversee the day-to-day management of HOPE LoanPort.

Prior to joining HOPE NOW, Gilmore held executive positions at Option One Mortgage and the Mortgage Bankers Association (MBA). He has more than 15 years' experience in the mortgage industry and has been involved in all aspects of the business, including government affairs, industry relations, affordable housing initiatives, and non-prime lending initiatives.

Gilmore will receive assistance with the business management and strategic direction of the organization from the newly-formed board of directors. This six-member board includes William A. Longbrake, who will serve as chairman, John H. Dalton, John A. Courson, Faith A. Schwartz, Kenneth D. Wade, and Camillo T. Melchiorre.

“HOPE LoanPort’s board of directors is an all-star line-up of top notch housing, mortgage, and community development professionals, whose careers span several decades,” Longbrake said. “I am honored to work with this esteemed group as its chairman.”

Longbrake is an executive in residence at the Robert H. Smith School of Business at the University of Maryland. He works on a variety of business, policy, and governance issues with faculty, students, business leaders, government policymakers, and executives of nonprofit organizations. He also serves on the board of directors of First Financial Northwest, the Federal Home Loan Bank of Seattle, the Washington Financial League and the Washington State investment Board. In the past, Longbrake has worked in various executive roles with Financial Services Roundtable, Washington Mutual, Inc. and the FDIC.

Dalton, the former secretary of the Navy in the Clinton administration, is currently the president of the Housing Policy Council, part of the Financial Services Roundtable. Previously, he was president of the Government National Mortgage Association of HUD, and he also served as chairman of the Federal Home Loan Bank board.

Courson has been involved in the mortgage industry for more than 40 years and is currently the president and CEO of MBA. Prior to joining MBA, he was a top executive at several mortgage companies, including Fundamental Mortgage, Central Pacific Mortgage Company, and Westwood Mortgage Corporation.

Schwartz is currently the executive director of HOPE NOW, a position she has held since the organization's inception. Previously, she held executive positions with Option One Mortgage and Freddie Mac. Schwartz is the president of Women in Housing Finance in Washington, D.C., and she previously served on the Federal Reserve Board consumer advisory committee.

Wade is the CEO of NeighborWorks America, a public nonprofit organization established as the Neighborhood Reinvestment Corporation by an Act of Congress in 1978. He has more than 35 years' experience in community development and has been working with NeighborWorks America since 1990. Prior to that, Wade worked for United South End Settlements in Boston. He currently serves on several boards within the industry.

Melchiorre is the SVP of loss management for Radian Guaranty, Inc., the primary mortgage subsidiary of Radian Group, Inc. Previously, he served as EVP at LandAmerica Lender Services, and he has also worked as an executive at Freddie Mac and Commonwealth Mortgage Assurance Corporation, Radian's predecessor company. Melchiorre was a charter member of the Freddie Mac servicer advisory board and currently serves as chair of the technology subgroup of the HOPE NOW alliance.

There are plans to expand the board in the near future to reflect the diversity of the organizations involved with this groundbreaking Web portal initiative.

**Student Loan Legislation Worries Lawmakers
Capitol News Connection
March 24, 2010
By Manuel Quinones**

Student lenders are scrambling to stop legislation they say will jeopardize their business and thousands of jobs nationwide. The Senate is poised to pass a health care reconciliation bill, which includes a provision to greatly expand the federal government's role in giving out loans for college students. Right now, the government gives lenders subsidies to provide the government backed loans.

"There are efficiencies in the private sector that don't always exist in the government sector. I think that was a legitimate question," said Sen. Jim Webb, D-Va., who sent a letter to Majority Leader Sen. Harry Reid, D-Nev., expressing his concerns. "I regret that we didn't get a hearing over here," Webb added.

Still, Webb is voting for the reconciliation package, which is meant to implement fixes to the legislation overhaul President Obama has already signed into law. He says the student loan provision is not enough to make him oppose the larger effort.

Sen. Ben Nelson, D-Neb., is not as forgiving. He has been a thorn on the side of Democrats who want to pass health care reform quickly. He says the student loan provision is unacceptable.

“Perhaps most troubling is adding unrelated student loan reforms that have never been debated in the Senate and would result in a government takeover of student lending,” Nelson said.

“Nationwide, there will be about 35,000 jobs lost, and from a total industry standpoint it’s about a \$70 billion a year market,” said Scott Talbott with the Financial Services Roundtable, an industry group.

Proponents say revamping the student loan system will be a boon for college students. They say it will also save the government around \$60 billion over ten years.

“If the Congress cannot pass a piece of legislation that helps our young people be the best they can be, then shame on us. I’ve always said children are the living messages we send to a future we will never see. It’s their turn,” Rep. Elijah Cummings, D-Md., said.

The legislation is not all about loans. It increases funding for the Pell Grant program. By 2017, students would be eligible for a maximum of \$5,975. It also provides a financial boost to community colleges and Historically Black Colleges.

But big lenders say they won’t be able to compete with the government.

“There is no cost of funds for the federal government, or very low costs of funds for the federal government. That makes it very difficult, if not impossible, to compete directly with the federal government. Plus there will no longer be a federal government subsidy offered through private lenders. We are cut out of that business,” Talbott said.

“I’m no big fan of big government, so I regret very much that the private sector is taken away from this role of giving these loans,” Rep. Roscoe Bartlett, R-Md., said. Republicans are generally framing the legislation as a government takeover of the student lending industry.

“Ending private student lending also would disrupt a relationship many Nebraska colleges tell me they prefer because private lenders provide their students with personal service, tailored loan packages and on-campus support,” Nelson said.

The big concern for many lawmakers is the loss of jobs. Rep. Allen Boyd, D-Fla., voted for the reconciliation package in the House but is getting heat from Sallie Mae employees in his district.

“While there may be some loss of jobs, I would think it minuscule to the promise of young people,” Cummings said.

Unions Make Strides as They Attack Banks

New York Times

March 24, 2010

By Steven Greenhouse and Louise Story

When the city of Los Angeles started looking into its complex financial contracts with banks earlier this year, some council members turned to an unusual corner for financial advice: labor unions.

Turns out that union leaders had amassed an armory of research on derivatives, mortgage foreclosures and even Wall Street pay as part of their effort to hold bankers accountable for the economic pain they helped cause in Los Angeles and across the country.

Unions have criticized Wall Street before. But their attacks have taken on a new shape, both in ferocity and style, over the last 18 months, ever since the federal government doled out billions of dollars in bank bailouts.

Why? Labor leaders say the fortunes of banks and unions are linked more than people realize. Wall Street manages union pension portfolios worth hundreds of billions of dollars. Much of that is invested in financial institutions, giving unions a loud voice as shareholders.

Then there are all the unionized workers whose fates are indirectly shaped by the world of high finance. The jobs of hundreds of thousands of union members, like police officers and teachers, have been threatened by municipal budget cuts, made worse in some cases by exotic investments gone bad.

More abstractly, union leaders are framing their fight against Wall Street as a symbolic one, underscoring America’s large disparities in wealth and wages.

“Many unions see that they need to be responsible for not just members’ needs at the bargaining table, but other hardships in their lives, like foreclosures and high mortgage costs,” said Peter Dreier, a political science professor at Occidental College in Los Angeles.

Unions are holding up many of their own members as victims of the banks’ bad bets, like subprime mortgages, and are providing a steady stream of research in an effort to demystify the exotic financial products that they say are harming dozens of cities. Unions have also helped underwrite Americans for Financial Reform, a prominent group pushing for further bank regulation.

Labor leaders were among the first to call for the resignation of Bank of America’s chief executive, who did retire months later. Unions issued a scathing report on bank bonuses, months before the federal pay czar presented his findings, and they criticized Goldman Sachs’s bonus pool just before the bank said its chief would receive only stock.

This month, the A.F.L.-C.I.O., the nation’s main labor federation, has organized 200 protests nationwide to publicly shame bankers, calling for new taxes on bankers’ bonuses and on speculative short-term financial transactions — in the hope of collecting tens of billions of dollars to finance a job creation program.

“They played Russian roulette with our economy, and while Wall Street cashed in, they left Main Street holding the bag,” Richard L. Trumka, the A.F.L.-C.I.O.’s president, said last Friday at a rally in Philadelphia. “They gorge themselves in a trough of taxpayers’ dollars, while we struggle to make ends meet.”

Labor is directly at odds with Wall Street on unionization drives and many other matters. Banks and private equity firms own stakes in many businesses that unions would like to unionize, like nursing home chains and food service companies. Labor groups like the Service Employees International Union and the A.F.L.-C.I.O. are pressuring financial companies not to oppose union membership drives.

It is hard to know for certain whether the unions’ efforts have affected decisions made by Wall Street firms. But for cities like Los Angeles, feeling the squeeze of lower tax receipts, the service employees’ pressure campaign seemed to have had an impact.

“They knew more about our own water deal than I knew,” said Richard Alarcón, a Los Angeles councilman, referring to an interest-rate swap between the city’s water system and the Bank of New York Mellon that converted the system’s variable-rate bonds into bonds with a fixed rate. “They also knew the dynamics of swap deals, and they were very helpful.”

As the city faces a deficit of nearly \$500 million, the council was unhappy that Los Angeles would have to pay Bank of New York millions of dollars a year.

“Our members don’t like it any more than other Americans when cities have less firefighters, less teachers or less police officers,” said Andy Stern, president of the service employees’ union.

The labor protests against the banks sometimes have murky targets. This month, service employees joined community leaders on the City Hall steps in Oakland, Calif., to denounce Goldman Sachs for arranging interest-rate swaps that have the city paying the bank millions a year.

After that rally, union leaders led a march to a local Citigroup branch. Goldman declined to comment, but a Citigroup representative scoffed.

“We weren’t even involved in those deals,” said Alex Samuelson, a Citigroup spokesman. “We were just a symbolic place to go and rail against Wall Street. You can’t go to a Goldman Sachs branch.”

Many bankers criticize the protests, saying they make lots of noise but often accomplish little. Steve Bartlett, president of the industry’s Financial Services Roundtable, who has been the target of several union-led protests, including one outside his home on a Sunday morning, said, “Protests can be misguided or even damaging to your cause.”

While union leaders say they are championing the concerns of Main Street, their antibank campaign has certainly advanced some of labor’s longtime objectives, like unionizing workers.

For instance, the S.E.I.U. has pressed several banks and private equity firms to agree to allow card check — a process that makes unionization easier — at companies in which they own stakes.

Service employees officials say they urged Goldman Sachs, which owns part of the food service company Aramark, to get Aramark to accept card check and not oppose an organizing drive. In December, the union’s president, Mr. Stern, even met with Goldman’s chief executive, Lloyd C. Blankfein, about universal health care and other labor-related issues.

Labor unions are using some of their members’ hard-luck stories to frame their battle as one between the haves and the have-nots, and in some cases that tactic is advancing the unions’ traditional goals in contract talks.

In February, for example, the service employees' union publicized that one of its members cleaned the office of U.S. Bank's chief in Minneapolis. That janitor, Rosalina Gomez, was facing foreclosure, and the union publicized that U.S. Bank had purchased her home in the foreclosure.

Steve Dale, a spokesman for the bank, said the union was attacking U.S. Bank even though JPMorgan Chase was the bank servicing Ms. Gomez's mortgage. U.S. Bank, he said, was just the trustee, holding the loan for a mortgage bond.

"We did not service the loan," Mr. Dale said. "We did not originate the loan, and we were not the financial entity that placed it into foreclosure. Do you understand what a trustee does?"

That aside, when the union threatened to have Ms. Gomez approach U.S. Bank's chief, Richard K. Davis, at an awards luncheon, the bank rushed to set up a meeting between Ms. Gomez and JPMorgan. Fifty union supporters were at the site of the luncheon to conduct a silent vigil, with several reporters on hand.

Also at that time, the union was in contract negotiations with Ms. Gomez's employer, the janitorial company that cleans U.S. Bank's headquarters. Javier Morillo-Alicea, a leader of the union's Minneapolis local, said its effort to embarrass the bank helped persuade the cleaning company to reach a contract that raised wages and provided better health insurance for the janitors.

"We put a lot of pressure on the bank," he said, "and that led to a really good contract settlement in a tough economy."

Lobbyists Battle Volcker Rule As Republicans Say Reform Bill Will Pass FINAlternatives March 25, 2010

Financial industry lobbyists are pushing hard to water-down a bill that would bar banks from the hedge fund industry, even as the bill's Republican opponents acknowledge that it will pass in some form.

The financial regulation overhaul proposed by Sen. Christopher Dodd (D-Conn.) includes a provision mandating that regulators implement that so-called "Volcker rule," which would forbid bank holding companies from owning, sponsoring or investing in hedge funds. The bill passed the Senate Banking Committee on Monday without any Republican support.

Despite that setback, lobbyists are urging lawmakers to leave the final decision about whether to adopt former Federal Reserve Chairman Paul Volcker's suggestions, which include barring banks from proprietary trading or from mergers that would give them more than a 10% share of the U.S. banking system.

“We believe the regulators should have the discretion to deal with the situation on a company-by-company basis,” Scott Talbot of the Financial Services Roundtable told Bloomberg News. “You can’t have a blanket prohibition on proven risk-management techniques.”

“Our hope is that they change ‘must’ to ‘may,’” Talbott added, giving regulators a chance to study the issue.

That argument may not carry much weight with the Republicans, however. The Dodd bill gives “too much power to the regulators,” Sen. Judd Gregg (R-N.H.) told Bloomberg. But both he and Sen. Bob Corker (R-Tenn.), who had been working with Dodd on a compromise bill, have expressed support for the Volcker rule provisions.

Both also say that a financial services reform bill will pass this year, potentially without Republican support.

There is “a 100% chance it will pass,” Gregg told reporters today.

“Financial regulation is not like healthcare,” Corker added. “Financial regulation isn’t like so many issues where there’s this philosophical divide.”

'The Road From Ruin': All Of Us Did A "Madoff" And Now Financial Literacy Must Be The New Civil Rights
Huffington Post
March 25, 2010
By: John Hope Bryant

In reading "The Road from Ruin" by Matthew Bishop and Michael Green, I felt like I was going to church.

"The Road from Ruin" is brilliant not because it is written well, though it is, nor because it defines a problem, as former President Bill Clinton once said, "as something with a beginning, a middle and an end," but because it is breathlessly bold, basic, straight as an arrow, uncompromising, and at least in one sense, even revolutionary. Here is the sober business editor for the Economist Magazine, calling for financial literacy as essentially America and the world's new civil rights issue, or what I call the first global silver rights empowerment tool. That's

revolutionary, and precisely where we are at this moment in history. Financial literacy is the new civil rights.

In "The Road from Ruin," the authors do not talk around financial education and financial literacy as if it is some nice holiday bobble on a Christmas tree, or "something nice for serious people to do," once they already have done serious things. The authors have rightly so placed the issue of financial literacy, and the work we do at Operation HOPE in urban and under-served communities here and around the world, for every ethnic group and socio-economic class, in the momentum building final chapters. In other words, this is the "it."

I was also impressed and inspired to see that the authors boldly go beyond the yawn-inducing traditional definitions of financial literacy "as a math class," which it is not, and deal with financial literacy for what it truly is; emotional, cultural, aspirational, and a direct link to the larger, more over-riding issue of our virtues and our values as a society. Who are we, why are we here, and what are we for? Or as I often say, financial literacy is "the new language of money." To make my own statement of revolutionary thought, not inconsistent with the tenants of the book, "if you don't understand the language of money today, and if you don't have a bank account today, you are nothing more than an economic slave."

As the book aptly notes, with approximately 40 million people today with no bank account in the richest country in the world, the United States of America, more people don't have a bank account today than didn't have the right to vote in 1963. If this is not a call for financial literacy as the new civil rights movement, I don't know what is. I am absolutely convinced that if Dr. Martin Luther King, Jr. were alive today, this (the issue of pushing financial literacy empowerment) would be the work he would be doing. When he was killed in 1968, he had already called for a new movement to eradicate poverty, called The Poor People's Campaign. And like Dr. King's movement in 1968, at Operation HOPE today we say "whether you are white, black, red, brown or yellow, you simply want to have some more green (currency for those living in the U.S.). Quoting my personal hero and Dr. King's senior aide in the movement, "we integrated the lunch counter but we never integrated the dollar."

To me, a promoter of financial education leading to financial literacy, financial capabilities (the new U.S. Treasury Department focus on financial literacy), and ultimately financial empowerment and what I call "silver rights," or making free enterprise and capitalism work for the poor and the under-served, "The Road from Ruin" goes one critical step further; suggesting that "capitalism needs to find its soul again." I could not agree more.

In my now bestselling business book, "Love Leadership: The New Way to Lead in a Fear-Based World," I make the case that this is not so much an economic crisis, as a crisis of virtues and values.

That this is not an indication of the failure of capitalism and free enterprise, but the failure of greed, and a fundamental lack of humility, authentic memory (harking back to the similarities of the crash of 1930, and the response or lack thereof from political leaders and others immediately thereafter), or even a rational long-term vision of the future.

Even the late Ray Charles and my friend Stevie Wonder could see that at the base of this global crisis are three main things:

Captains of the financial universe lost their storyline; ultimately viewing and treating clients and customers, large and small, like transactions and not like relationships.

The "product" of capitalism and free enterprise moved away from the power and success of great new ideas, resulting, yes, in power, money and prestige for the idea's leader, to a culture where the "product" was simply getting and keeping more money.

People -- from the poor to the vaulted middle class, and maybe even financial promoters and Members of Congress -- were massively financially illiterate. Effectively driving financial automobiles, at 90 MPH, without a hint of driver training, God forbid a competent driver's license.

With a brew such as this, what else could we expect except the equivalent of a financial and economic tsunami?

In my remarks to the assembled attendees of the recent Corporate Citizenship 2010 Conference in New York City, hosted by The Economist, I said something I originally shared in an interview on Love Leadership for the Washington Post newspaper: "everyone did a Madoff. We robbed Peter to pay Paul, we lived beyond our means, we bought stuff we couldn't afford, and we had no clue how the story was going to end." This too is a crisis of virtues and values. Quoting me directly from "The Road from Ruin," "in this crisis it was easier to be a mortgage broker than a pimp on a street corner, because pimps need references."

Bishop and Green at one point in the book reference the early American-watcher, de Tocqueville, who optimistically observed that "the greatness of America lies not in being more enlightened than any other nation, but rather in her ability to repair her faults." In Love Leadership this ties directly to my 4th Law of Love

Leadership which is Vulnerability is Power. In short, life is 10% what life does to you and 90% how you respond to it. The key to getting out of this crisis this time, and making sure we never end up here again, is almost completely in our response. In this regard I believe in rainbows after storms. You cannot have a rainbow without a storm first. If it was not for this crisis, I don't believe we would even be trying to deal with our larger problems. Now we must. This can be a good thing. Let's now figure out what we are (really) for, and not just what we are against.

What we need now

We need to get our storyline back, and we need to reclaim the greatness of our ideas; the first of which is love as work.

We need to recommit ourselves to "doing the work" in our lives, and we need to understand, finally, that ultimately fear fails. We need to accept that this is ultimately a crisis of virtues and values, and like the native Indians in America, begin to make decisions with a consciousness that (these decisions will) impact seven generations yet unborn.

In "The Road From Ruin," Matthew Bishop and Michael Green suggest that capitalism needs to rediscover its soul. Here's how I think it can be done (a summary of my remarks from the Corporate Citizenship Conference):

Write letters to bank CEOs and when they don't listen, to their regulators, telling them of not just your challenges, but how you recommend they run a better business. With approaches like this you seek justice for yourself, but you also help them to win, and society to become "better."

When CEOs and others don't listen, follow the lead of the Huffington Post and simply "move your money." There is power in your economic vote as well as your political vote.

Host a Financial Literacy Family Meeting every week at your own kitchen table, with your mate and your family, and make sure that your family has the financial literacy knowledge and tools they so rightly deserve. Remember that the #1 reason for divorce in America is money. Start with a free course in financial literacy for your children with Operation HOPE's Banking on Our Future, www.bankingonourfuture.org, or other credible organizations such as Junior Achievement.

Encourage your Member of Congress to support financial literacy legislation requiring every child to receive a mandatory course in financial literacy, K-12 education.

Encourage your Member of Congress to support HR1325, inspired by the work of Operation HOPE and the non-partisan U.S. President's Advisory Council on Financial Literacy (which was also originally inspired by the work of Operation HOPE), which would require every college student receiving a guaranteed student loan to also receive a mandatory course in financial literacy. HR1325 would also require every college or university receiving federal funds to offer a mandatory course in financial literacy.

Join me and civil rights icon Ambassador Andrew Young, global spokesman for Operation HOPE, in our call to our government and governments around the world to make an electronic, debit card accessed bank (or credit union) account a basic human right; assigned and accessible at birth, no different than one's Social Security number. Register your support for a "Bank Account for All" [here](#).

Encourage your local bank to support the visionary tenants of the Operation HOPE-Financial Services Roundtable "Framework Agreement," which seeks to integrate financial literacy into bank products, financial services, HR departments, and the new consumer way of life. Review the HOPE-FSR agreement [here](#).

Become part of the change we need to see in our world. Become a HOPE Corps volunteer, teaching young people in your neighborhood a course in dignity, the language of money, and through your own life example, show them who they can "be" too. When that young man or young woman looks at you they are also saying to themselves, "I can become you." That is when you change the world. Do it now, [do it here](#).

Let's make de Tocqueville proud, by once again showing that America can lead the world, but this time "not by being more enlightened than any other nation, but rather in our ability to repair our faults."

Onward with HOPE

Student Loan Takeover Could Spell Job Losses
Capitol News Connection
March 25, 2010
By Manuel Quinones

Description:

Democrats say a student loan provision attached to the health care overhaul will help Maryland students pay for college. Critics say it will cost thousands of jobs in the process.

Transcript:

It began as a strategic decision that Democrats made to combine two bills. They tacked an education bill to reform the student loan system on to the health care reconciliation package.

Congressman Elijah Cummings says it was the right thing to do. It helps that the student loan bill has widespread support in the House.

CUMMINGS - "If the Congress cannot pass a piece of legislation that helps our young people be the best they can be, shame on us. I've often said children are the living messages we send to a future we will never see. It's their turn." (:15)

The measure significantly increases the federal government's role in student lending. It eliminates government subsidies for private lenders to issue government backed loans. Democrats say that will save the government about 60 billion dollars over ten years and some of that money will help pay for the health overhaul.

Senator Ben Cardin says the reconciliation legislation is a boost to the entire health care effort.

CARDIN - "I would think we'd want to do that. It also reduces the deficit more, which is something we all should be very pleased about."

Most Republicans are calling the education initiative as another government takeover - this time of student lending. Congressman Roscoe Bartlett says the measure doesn't pass his smell test.

BARTLETT - "I'm no big fan of big government, so I regret very much that the private sector is taken away from this role of giving these loans."

The private sector regrets it too.

TALBOTT - "As far as maintaining competition with the federal government, it's going to be difficult. There will no longer be a federal government subsidy offered through private lenders. We are cut out of that business."

Scott Talbott with the Financial Services Roundtable says Maryland jobs are in jeopardy.

TALBOTT - “Well I know nationwide there will be about thirty-five thousand jobs lost, and from a total industry standpoint it’s about a seventy billion-dollar a year market.

Supporters say overhauling the student loan system will reduce waste and expand access to loans and grants for students. Critics say student borrowers will be shouldering the burden for some of that expansion.

Some Democrats like Senator Jim Webb of Virginia expressed concerns about the student loan provision. But said their reservations weren’t enough to oppose the larger health effort.

WEBB - “I regret that we didn’t get a hearing over here. And I was one who signed a letter saying we should examine the issue properly. There are efficiencies in the private sector that don’t always exist in the government sector. I think that was a legitimate question.”

In addition to revamping the student loan system, the higher education piece of the reconciliation bill also boosts spending for Pell Grants and Historically Black Colleges.

Congressman Cummings sits on the school’s board of Morgan State University and sees the need for more investment in students.

CUMMINGS - “They get to the doorstep of college, and they are knocking on the door and they can’t get in, why, because they don’t have the money.”

But what about the possible job losses?

CUMMINGS - “While there may be some loss of jobs, I would think it minuscule compared to the promise of young people.”

The student loan overhaul had been stalled in the Senate but the politics of a health care overhaul gave it a new lease on life.

Click [here](#) to listen to the interview.

**Mortgage aid plan may lower monthly payments for some
USA Today
March 26, 2010**

By Stephanie Armour

The Obama administration today is expected to announce major changes to its program for financially troubled homeowners, including a mandate that lenders temporarily reduce mortgage payments for some borrowers who have lost their jobs.

Under the plan, lenders would grant three months forbearance to homeowners who are out of work, according to two administration officials. They declined to be identified because the program has not been announced.

To help borrowers who have been hurt by falling home prices, the government also will require mortgage servicers to consider cutting a loan's principal if it is up to 15% more than the home is worth, officials said.

The principal would be reduced over three years as long as the borrower stays current on payments.

In addition, servicers will get more incentives — double the amount the government now pays to lenders — if they reduce the unpaid balance of second loans.

The changes reflect a new attack by the Obama administration to address the foreclosure crisis, which at first was driven by subprime mortgages going delinquent, and now is being fueled by unemployment.

GROWING PROBLEM: Underwater mortgages drain equity, dampen retirement

NOT SO FAST: Walking away from an underwater mortgage has consequences

LOWERING PRINCIPAL: Bank of America gives 45,000 borrowers a break

The current program provides modified mortgages to homeowners who show proof of income.

"The cost is going to depend on the participation rate. In terms of the cost to taxpayers, the cost of not doing something is greater than doing something," says Scott Talbott, senior vice president for government affairs at the Financial Services Roundtable. "Up to now, there was no government program to help the unemployed, and that was the biggest problem."

The federal program, known as the Home Affordable Modification Program (HAMP), is aimed at helping up to 4 million Americans avoid foreclosure. So far, about 170,000 homeowners have been granted permanent modifications with lower monthly payments through the plan.

Also Thursday, the Treasury Department announced new measures that buy time for some borrowers to avoid losing their homes to foreclosure.

Lenders soon will be unable to start foreclosures unless they've determined borrowers aren't eligible for a modification.

Other changes announced Thursday will provide other protections for troubled homeowners. They include:

- Ensuring servicers intervene once two or more mortgage payments are missed and actively solicit borrowers for the federal program.
- Setting a 30-day deadline for lenders to decide applications for trial modifications.
- Requiring servicers to consider borrowers who file for bankruptcy-court protection for the HAMP program if the borrower, their lawyer or bankruptcy trustee make a request.

HOPE LoanPort names board of directors and CEO
National Mortgage Professional
March 25, 2010

HOPE LoanPort, the counselor Web-based tool that streamlines submission of completed loan modification applications, including those used for the Home Affordable Modification Program (HAMP), has announced that six people will serve on its board of directors. The organization also named its chief executive officer. There are plans to expand the board in the near future to reflect the diversity of the organizations involved with this groundbreaking web portal initiative.

These housing industry veterans will assist HOPE LoanPort CEO Larry Gilmore with the business management and strategic direction of the company. Gilmore, currently the deputy director of the HOPE NOW Alliance, will assume the day-to-day management of HOPE LoanPort. Gilmore will be transitioning from his role as deputy director of HOPE NOW, where he has worked since the organization's inception in 2007. Prior to joining HOPE NOW, Gilmore was an executive with Option One Mortgage, as well as the Mortgage Bankers Association (MBA). He has more than 15 years of experience in the mortgage industry and has been involved in all aspects of the business, including government affairs, industry relations, affordable housing initiatives and non-prime lending initiatives.

The following individuals will make up the board of directors for HOPE LoanPort:

► William A. Longbrake (Chairman): Longbrake is an executive in residence at the Robert H. Smith School of Business at the University of Maryland where he works on a variety of business, policy and governance issues with faculty, students, business leaders, government policymakers and executives of not-for-profit organizations. He also serves on the boards of directors of First Financial Northwest, the Federal Home Loan Bank of Seattle, the Washington Financial League and the Washington State Investment Board. In the past, Longbrake has worked in various executive roles with Financial Services Roundtable, Washington Mutual Inc. and the Federal Deposit Insurance Corporation (FDIC).

► John H. Dalton: Dalton, former Secretary of the Navy in the Clinton administration, is currently the president of the Housing Policy Council, part of the Financial Services Roundtable. Dalton is responsible for guiding the Council and its public policy agenda before the Administration and Congress. Secretary Dalton was sworn in as the 70th Secretary of the Navy on July 23, 1993 and served in this capacity until November 1998. Prior to that, Secretary Dalton was president of the Government National Mortgage Association of the U.S. Department of Housing & Urban Development (HUD). He also served as chairman of the Federal Home Loan Bank Board. In the private sector, he has held positions at Goldman, Sachs & Company and several other banking and investment banking firms.

► John A. Courson: Courson is the president and CEO of the Mortgage Bankers Association (MBA), and has been involved in the mortgage industry for more than 40 years. Prior to joining MBA, Mr. Courson was a top executive at several mortgage companies, including Fundamental Mortgage, Central Pacific Mortgage Company and Westwood Mortgage Corporation. He has served on several MBA boards since 1999 and also served as president of the California Mortgage Bankers Association, Michigan Mortgage Bankers Association and was director of the Texas Mortgage Bankers Association. In 2004, Courson was appointed by Gov. Schwarzenegger as Chairman of the Board of Directors of the California Housing Finance Agency, a position he served until 2008.

► Faith A. Schwartz: Schwartz is the executive director of HOPE NOW, a position she has served since the organization's inception. HOPE NOW and industry has modified in excess of 2.5 million loans for borrowers to prevent foreclosure. HOPE NOW has held more than 60 face to face events nationwide, bringing together mortgage servicers, non-profit housing counselors and borrowers. Schwartz has held executive positions with Option One Mortgage and Freddie Mac where she led the firm's efforts to combat predatory lending. She started her career at Dominion Bankshares as Vice President of Capital Markets and Wholesale lending. Schwartz is the President of Women in Housing Finance in Washington DC. She served on the Federal Reserve Board Consumer Advisory

Committee where she chaired the consumer credit sub-committee. She received the “Investing in Communities” award, 2008, from the Mortgage Bankers Association (MBA) and has served on their Board of Directors.

► Kenneth D. Wade: Wade is the CEO of NeighborWorks America, a public non-profit corporation established as the Neighborhood Reinvestment Corporation by an Act of Congress in 1978. He has more than 35 years of experience in community development and has been with NeighborWorks America since 1990. Prior to that, he worked for United South End Settlements in Boston. Wade currently serves on several Boards, including Bank of America National Community Advisory Council, Board of Trustees of the National Housing Conference, National Association of Affordable Housing Lenders and Institute for Affordable Housing Policy.

► Camillo T. Melchiorre: Melchiorre is senior vice president of loss management for Radian Guaranty Inc., the primary mortgage insurance subsidiary of Radian Group Inc. Prior to joining Radian, he served as an executive vice president at LandAmerica Lender Services. He has also worked as an executive at Freddie Mac and Radian’s predecessor company, Commonwealth Mortgage Assurance Corporation. Melchiorre was a charter member of the Freddie Mac Servicer Advisory Board and currently serves as chair of the technology subgroup of the HOPE NOW Alliance.

Enhanced mortgage relief on the way
The Arizona Republic
March 26, 2010

The Obama administration plans to overhaul how it is tackling the foreclosure crisis, in part by requiring lenders to temporarily slash or eliminate monthly mortgage payments for many borrowers who are unemployed, senior officials said Thursday.

The administration's new push also seeks to more aggressively help borrowers who owe more on their mortgages than their properties are worth, for the first time offering financial incentives to lenders to cut the loan balances of these underwater homeowners.

Under the plan, banks and lenders would have to reduce the payments for unemployed homeowners for three to six months. The payments would be no more than 31 percent of a borrower's income; that income would typically be their unemployment insurance. In some cases, administration officials said, a lender could allow a borrower to skip payments altogether.

To help borrowers who have been hurt by falling home prices, the government also will require mortgage servicers to consider forgiving principal of some loans, if homeowners owe up to 15 percent more than the home is worth, officials said.

Among other changes is a prohibition on mortgage servicers from starting or continuing foreclosure proceedings against a borrower who enters the government's Home Affordable Modification Program.

Those companies also face a 30-day deadline to decide on applications for trial loan modifications. The current process has been criticized as being too slow to effectively stave off foreclosures.

Officials said the new initiatives will take effect over the next six months.

The changes reflect a new attack by the Obama administration to address the foreclosure crisis, which at first was driven by subprime mortgages going delinquent, and now is being fueled by unemployment.

Critics have complained the current homeowner assistance program does little to encourage banks to cut borrowers' principal balances on their primary loans. Nearly one in every three homeowners with a mortgage are "underwater" - they owe more than their property is worth - according to Moody's Economy.com.

And lawmakers have been frustrated by the lack of results.

"It has failed," said Rep. Jackie Speier, D-Calif., at hearing of the House oversight committee on Thursday. "It has failed miserably and unfortunately we are incapable of saying: OK, this was an experiment, it didn't work, let's try something else."

Though \$75 billion in funding is available to the more than 100 lenders who have signed up, only a tiny fraction has been spent. Lenders had received \$58 million in incentive payments as of last month, according to the Government Accountability Office.

The new changes will be funded by \$14 billion from the existing program. No new taxpayer funds will be needed, the officials said.

"The cost is going to depend on the participation rate. In terms of the cost to taxpayers, the cost of not doing something is greater than doing something," says Scott Talbott, senior vice president for government affairs at the Financial Services Roundtable. "Up to now, there was no government program to help the unemployed, and that was the biggest problem."

The federal program, known as the Home Affordable Modification Program, is aimed at helping up to 4 million Americans avoid foreclosure. So far, about 170,000 homeowners have been granted permanent modifications with lower monthly payments through the plan.

The measures have been in the works for weeks, but President Barack Obama is finally to release the details days after his watershed victory on health-care legislation. Following that bruising battle on Capitol Hill, his administration is now welcoming a chance to change the subject and turn its attention to the economy and, in particular, the plight of the unemployed - concerns that are paramount for many Americans.

The administration has been facing increasing pressure from lawmakers and housing advocates to overhaul its foreclosure prevention efforts. So far, fewer than 200,000 borrowers have received permanent loan modifications under its marquee program, known as Making Home Affordable. In the meantime, there is a growing backlog of distressed borrowers awaiting help from their lenders, which threatens to undercut efforts to stabilize the housing market.

Assistant Treasury Secretary Herbert Allison told a House panel Thursday that "we did not fully envision the challenges that we would encounter" when the earlier program was launched.

The efforts have been hampered by the difficulty of helping unemployed homeowners, who struggled to qualify for the government's mortgage relief plan.

In requiring temporary relief for jobless borrowers, known as forbearance, officials are hoping to give them time to find new jobs. Some will still need more assistance after the six-month period while others will ultimately lose their homes, administration officials said.

"We certainly support a forbearance opportunity for unemployed borrowers," said John Courson, chief executive of the Mortgage Bankers Association.

Underwater borrowers now make up about a quarter of all homeowners, according to First American CoreLogic. Economists consider these homeowners at higher risk of default because they cannot sell or refinance their home when they run into financial troubles.

Until recently, administration officials had been reluctant to encourage lenders to cut the principal balance, worrying that this would encourage borrowers to become

delinquent. But as federal regulators have struggled to make an impact on the foreclosure crisis, those qualms have weakened.

"We would prefer to see a required principal forgiveness program. But this is helpful," said David Berenbaum of the National Community Reinvestment Coalition.

The new effort also increases the incentives paid to those lenders that find a way to avoid foreclosing on delinquent borrowers even if they can't qualify for mortgage relief.

For example, the administration is scheduled to launch a program next month encouraging lenders to have borrowers sell their homes for less than the mortgage balance in a short sale.

Education Secretary Denies Govt Takeover of Student Loan Programs Will Hurt Private Sector, Cause Job Loss

CNSNews

March 26, 2010

By Penny Starr

Secretary of Education Arne Duncan said a provision in the House budget reconciliation bill to nationalize college loan programs would not hurt banks and other financial institutions that will be partly cut out of the process in favor of "direct lending" from the federal government.

Free market analysts, however, said the proposal would kill thousands of private-sector jobs – work that would be assumed by federal employees. And Republican lawmakers said that, under the plan, the government will charge students more for the loans to help pay for the nearly \$1-trillion health care bill, which was signed into law on Tuesday, Mar. 23.

When asked by CNSNews.com on Tuesday about industry estimates that thousands of people could lose their jobs if the law goes into effect on July 1, 2010, as expected, Duncan said the private sector would still benefit because some banks will get government contracts to "service" the loans.

"Actually, all of the sources of the loans – a hundred percent of that -- will be done by the private sector, not by us," Duncan said. "So that's not our -- policy.

"All of that will be done on the private side -- good actors will get more business, bad actors will lose business," Duncan said. "The free market will play. As you

know, more and more people are going back to college, this is a growing industry, there's a huge opportunity there.”

Justin Hamilton, deputy press secretary for Duncan, told CNSNews.com that some financial companies, including Sallie Mae, are already contracted to service the \$550 billion outstanding student loan portfolio that Congress authorized the Education Department to buy as part of the government's strategy to stabilize credit markets with the TARP law enacted in the fall of 2008.

Hamilton said the same model will apply in the plan, if the changes are approved by Congress.

“All of the students' interactions is with a private sector company,” Hamilton said. “When they call and have a problem with the loan, or they want to know what to do with this, or what's to do with that -- customer service, 1-800, answer my questions about my loan. That's all going to be with a private sector company.”

Under the administration's plan in the reconciliation bill, the Federal Family Education Loan program would be eliminated and all student loans for higher education would be handled by a federal Direct Loan program. While the House of Representatives passed the reconciliation bill on Mar. 21, it has been sent back to the House for another vote because of changes made by the Senate on Thursday, Mar. 24.

When Rep. George Miller (D-CA), chairman of the House Education and Labor Committee, unveiled the direct lending plan earlier this month, he referred to it as “sweeping changes.”

He said the plan was consistent with what President Barack Obama first proposed last year to eliminate subsidies to banks in the federal student loan programs, and instead have all federal student loans originate directly from the government.

Under current law, about \$9 billion is allocated “each year to subsidize guaranteed student loans issued by banks,” said Duncan in a commentary in The Washington Post. “The banks earn profits on the interest; if students default, taxpayers take the loss, not the banks.”

Miller, in a Mar. 18 statement, said: “This is really about making a simple choice. Congress can either continue the longstanding boondoggle that rewards banks with tens of billions of dollars in subsidies at the expense of families and taxpayers – or we can invest that money directly in students and America's world economic leadership.”

An Education Department spokesman said students probably would not notice any difference in the loan-application process if the administration's plan becomes law because loans would still be handled by college financial aid offices and most student participation can be done online.

But critics charge that the change will be felt by some American businesses and workers.

“Banks will no longer originate student loans and those jobs – we estimate them to be about 35,000 – will disappear,” Scott Talbott, senior vice president of governmental affairs with the lobbying group Financial Services Roundtable, told CNSNews.com.

“It’s a \$70-billion-dollar-a-year industry,” Talbott said. “It will have a negative impact on the financial services industry.”

Hamilton, however, said eliminating the banks from the loan-origination process will save federal (taxpayer) money, allowing more funds to go to college students, and that servicing contracts in the private sector will continue to create jobs.

In the case of Sallie Mae, Hamilton said, in order to win a government loan servicing contract, the institution had reversed its practice of outsourcing jobs overseas.

President Barack Obama smiles in the East Room of the White House in Washington, Tuesday, March 23, 2010, during the signing ceremony for the health care bill. (AP Photo/J. Scott Applewhite) “When we put out the provision it said, if you want to service the loans that we have at the Department of Education, work has to be performed in America,” Hamilton said. “They [Sallie Mae] brought back 2,000 jobs from overseas and they said they planned to create an additional 1,500 jobs in the United States just to handle the loans.”

Neither Hamilton nor other Education Department officials could say how much money is being paid for the servicing contracts. But Neal McCluskey, associate director of the Center for Educational Freedom at the libertarian Cato Institute, said the contracts are simply another way for certain institutions to continue being paid by a government that has subsidized student loans with taxpayer funds for decades.

“I can guarantee that, once this is passed, they are going to have to write the regulations that really govern what happens, and I can’t imagine that wonders like Sallie Mae are not going to be at the table getting as much as they can for themselves,” McCluskey told CNSNews.com. “And this is one of the under-

reported, underappreciated aspects of this move to all-direct lending, which is that the administration has shamelessly, as always, demonized banks and anybody who's trying to make a profit on student loans."

"And what they didn't talk about is how many of these really big ones, especially Sallie Mae, which started off as a federal entity, are still going to be at the gravy train -- they're still at the trough as part of this law," McCluskey said. "So we're still going to have lots of money that goes to banks that just won't be for them to actually produce loans."

Sen. Lamar Alexander (R-Tenn.) Senator Lamar Alexander (R-Tenn.) said that the Obama administration's plan is designed to "overcharge 19 million students on their student loans -- to help pay for the Democrats' health care bill."

In a Mar. 18 statement, Alexander said: "This is how it will work: the federal government will borrow money at 2.8 percent and then lend it to students at 6.8 percent -- spending the difference on health care and new government programs. In Tennessee, 200,000 students have student loans, so what this latest takeover means is that those Tennessee students will, on average, pay \$1,700-1,800 more in interest over 10 years -- to pay for the Democrats' health care bill."

"The government -- instead of using that money to reduce costs for students who are borrowing the money -- will use it to pay for more government programs," said Alexander. "According to the preliminary CBO estimate produced this morning, the new bill will take \$9.1 billion over 10 years from students' interest payments to pay for this health care takeover."

Last summer, the Education Department announced that it had awarded loan-servicing contracts to Sallie Mae and three other organizations: AES/PHEAA, Great Lakes Education Loan Services and Nelnet, Inc.

Duncan spoke to CNSNews.com during an event at J.O. Wilson Elementary School in northeast Washington, D.C. to announce a ticket giveaway for the annual Easter Egg Roll at the White House (which occurs on Apr. 5). He said the government handling federal student loans would help children who want to go to college.

"I don't worry just about the (high school) juniors and seniors, I worry about these guys who want to go to college and mom might lose a job or dad might lose a job and those dreams start to die at a young age," Duncan said. "If this passes, we can look students in the eye and say no matter how tough things are at home and in the community, if you work hard, we're going to have some money there for you."

Consumer Financial Protection Plan Divides Congress

The Fiscal Times
March 25, 2010
By Katherine Reynolds Lewis

When it comes to overhauling financial regulations, Democrats and Republicans have much to fight over: how best to rein in the derivatives market, establish bank takeover procedures, curb executive pay and end government bailouts of mismanaged institutions deemed "too big to fail."

But as the Senate prepares to debate a bill next month aimed at preventing the behavior that led to one of the worst financial crises in U.S. history, perhaps the most contentious measure is one that would create a regulator devoted to protecting consumers from unscrupulous or reckless practices.

President Obama and House and Senate Democratic leaders believe the proposal is a no-brainer. Unless an independent regulator is looking out for consumers, they say, any financial regulatory reform will fail to prevent the kind of risky behavior and predatory business practices that fostered the 2008 financial meltdown.

"Our legislation will protect consumers from unsafe financial products, such as the subprime mortgages that led to the financial crisis in the first place," said Senate Banking Committee Chairman Christopher Dodd, D-Conn., just before his committee approved the measure on Monday. "Most importantly, it will restore financial security so that our economy can create jobs and offer middle-class families a chance to build wealth in our country."

Banking lobbyists and conservative lawmakers say a new layer of regulation would be costly and inefficient, and could even put the financial system in danger by forcing financial institutions to offer products at unreasonably favorable terms to consumers.

"The bureau could issue a rule that would undermine the safety and soundness of the bank," said Scott Talbott, a senior vice president at the Financial Services Roundtable, which represents the world's biggest financial institutions. "The issue is not whether we should protect consumers or not; everybody agrees on that shared goal. The question is, what is the most effective way to do it?"

Debate is certain to be extensive and hard fought, with lawmakers divided sharply along ideological lines, and unlikely to be resolved easily -- if at all. Business interests are pushing to weaken the regulator's power or kill it, while consumer advocates want to beef up the initial proposal.

A coalition of consumer and labor groups are backing the legislation. "The Democrats will have a hard time explaining to consumer groups if they can't get it passed. The Republicans have made it clear that this is something they see as unnecessary legislation. It's going to be a close vote," said David Min, associate director for financial markets policy at the Center for American Progress, a progressive think tank.

The U.S. Chamber of Commerce has launched a \$3 million advertising campaign against regulatory overhaul, with the proposed consumer watchdog a central target. A senior Treasury official this week blasted the chamber's tactics.

"The Chamber of Commerce -- funded, no doubt, with a good deal of your money -- has launched a lavish, aggressive and misleading campaign to defeat the proposed independent agency," said Deputy Treasury Secretary Neil S. Wolin at a Chamber summit, noting that the Republican administration of President George W. Bush also proposed creating a dedicated consumer and investor protection regulator.

The financial crisis rocked public confidence in the world's major financial institutions and the government agencies charged with regulating them. The populist backlash has been particularly hard on once-revered regulators, including the Federal Reserve Board and the Treasury, which have faced criticism that they favored Wall Street over Main Street.

Knowing that the public wants new financial rules aimed at preventing a future crisis, lawmakers expect Congress to act on the issue shortly. Dodd predicts action on the Senate floor within a month.

The House has already passed a regulatory overhaul that would create a stand-alone Consumer Financial Protection Agency as well as regulate derivatives and executive compensation, and establish both a council of regulators to identify firms that might put the system at risk and a process for dismantling such institutions.

By contrast, the Senate legislation would create a consumer protection bureau within the Federal Reserve, with the same charge to protect individuals from deceptive practices, abusive terms and hidden fees for financial products such as mortgages and credit cards.

Currently, the responsibility for consumer protection is divided among seven bank regulators primarily focused on ensuring the safety and soundness of the institutions they regulate. The thinking is that an independent regulator solely

looking out for consumers' interests would have spotted and stopped the mortgage abuses and risky subprime loans that created the financial crisis.

Key issues up for debate revolve around how independent the regulator would truly be, including:

- Whether it would be a stand-alone agency or a bureau of the Fed,
- Whether and how it could override other regulators in disputes, including the states,
- Which institutions and financial products it would regulate,
- How it would be funded and who would set the budget,
- Its power to examine bank records and operations in order to enforce its rules.

The Senate proposal would give the bureau power only over institutions with \$10 billion in assets or more, excluding nearly half of bank branches, said John E. Taylor, president of the National Community Reinvestment Coalition, which represents 600 community organizations.

"It is better than nothing but it's not as good as what this Congress is empowered to do," Taylor said. "75 percent of the American public believes there needs to be a response to this kind of malfeasant lending."

Obama hopes to keep unemployed in their homes

USA Today

March 26, 2010

By David Jackson

The Obama administration says its new plan for unemployed borrowers is designed to help them "remain in their homes when possible while they get back up on their feet, or to relocate to a more sustainable living situation."

Announced via e-mail from the White House and Treasury Department, the plan calls for lenders to reduce mortgage payments from borrowers who have lost their jobs, and in certain cases to eliminate payments. Here's a USA TODAY summary of the plan.

The general idea is to reduce payments to no more than 31 percent of a borrower's income, which is about what most of those home buyers would receive through unemployment insurance.

The government would help make the lenders whole, using up to \$50 billion in leftover bailout money from the Troubled Asset Relief Program. No new federal funds are to be used, according to the plan.

The Obama plan won an endorsement from the Financial Services Roundtable, a group of major banks.

"Keeping homeowners out of foreclosure is vital to our economic recovery," said John H. Dalton, president of the roundtable's Housing Policy Council.

HOPE NOW Issues Statement on Latest Obama Administration Housing Initiative

RealEstateRama

March 26, 2010

The HOPE NOW Alliance today commended the Obama Administration for its latest effort to keep more borrowers in their homes, primarily its plan to encourage principal write downs.

Faith Schwartz, Executive Director of HOPE NOW issued this statement:

“Today is an important step forward for homeowners, who will now have more options to retain homeownership. The use of principal write down as an additional tool in the Home Affordable Modification Program (HAMP) will offer expanded opportunities in the case of negative equity.

The Administration is also adding another useful avenue for at-risk homeowners by including expanded refinance options through the FHA programs.

HOPE NOW applauds these efforts, and its servicer members will continue to support all HAMP options as well as the many additional proprietary modifications that are underway to assist borrowers in sustaining an affordable payment and stay in their home.

Our current outreach efforts have been unprecedented and our members welcome additional support from the Administration in this historic undertaking. HOPE NOW realizes that lack of income due to high unemployment continues to be a primary driver of foreclosures and this plan will add consistency and uniformity around support of unemployed borrowers prior to entering into a final HAMP modification.”

HOPE NOW is the industry-created alliance of mortgage servicers, investors, counselors, and other mortgage market participants, brought together by the Financial Services Roundtable, Housing Policy Council and Mortgage Bankers Association, that has developed and is implementing a coordinated plan to help as many homeowners as possible prevent foreclosure and stay in their homes.

For more information go to www.HopeNow.com or call the free Homeowner's HOPE™ Hotline at (888) 995-HOPE.

Roundtable and Housing Policy Council Support Changes to HAMP to Help More At-Risk Homeowners

RealEstateRama

March 26, 2010

The Financial Services Roundtable and Housing Policy Council are supportive of new changes to the Home Affordable Modification Program (HAMP) and FHA policies, announced today by the White House, Treasury Department and HUD. These important changes to HAMP include three months of temporary assistance for homeowners who are unemployed and incentives for servicers to do principal reductions, as well as enhancements to the FHA refinance program for non FHA borrowers.

“We are very pleased that a number of our recommendations to strengthen HAMP are being adopted,” said John H. Dalton, President of the Housing Policy Council. “Keeping homeowners out of foreclosure is vital to our economic recovery. HAMP and FHA are critical components of a comprehensive effort and these changes will help more homeowners who are facing difficulty but want to stay in their homes.”

“Today’s announcement is good news for many homeowners in need of assistance,” said Steve Bartlett, President and CEO for the Roundtable. “We continue to support the HAMP program, FHA and industry efforts to find alternate ways to keep homeowners in their homes. The Roundtable, HPC and our member companies want to continue to work with Treasury and HUD to take the steps needed to prevent foreclosures whenever possible.”

The Roundtable’s Housing Policy Council is made up of twenty-six companies that are among the nation’s leaders in mortgage finance. Member companies originate seventy-five percent of the mortgages for American home buyers. Member companies participate in the Council through the senior mortgage executive in their company.

The Financial Services Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the Chief Executive Officer and other senior executives nominated by the CEO.

Roundtable member companies provide fuel for America's economic engine, accounting directly for \$74.7 trillion in managed assets, \$1.1 trillion in revenue, and 2.3 million jobs.

Take two: Gov't tries new fix for mortgage crisis

Bay News 9

March 26, 2010

By Alan Ziebel and Stevenson Jacobs

The government's bold new plan to stem the foreclosure crisis aims to succeed where previous efforts have fallen flat. Yet just as before, the odds are long, and many struggling borrowers won't qualify.

In theory, the effort unveiled Friday would help millions of troubled homeowners who owe more on their mortgages than their homes are worth, or who are jobless and need a break on their payments.

But it depends on cooperation from investors and bankers, many of whom have been locked in disputes over whether to reduce the debt owed by homeowners.

And just like the bank bailouts, this rescue plan poses risks. If it doesn't slow the wave of foreclosures or housing prices nosedive, U.S. taxpayers once again will be on the hook.

The Obama administration says the plan would help stabilize the housing market by keeping many borrowers out of foreclosure. If it succeeds, the plan would limit damage to the overall economy.

The new effort is designed to help two groups:

_ Borrowers who owe more on their loans than their houses are worth. More than 15 million homeowners fall into this category, according to Moody's Analytics. About 10 million of them owe at least 20 percent more than their house's current value.

Their mortgage companies can cut the total amount they owe, or they can refinance into loans backed by the Federal Housing Administration. FHA will get \$14 billion in incentive money from the federal bailout fund.

_ Unemployed borrowers. People receiving unemployment benefits would have their mortgage payments cut to no more than 31 percent of their monthly income for three to six months.

That's intended to give homeowners more time to find a job. Once they do, they may qualify for a loan modification that would permanently reduce their payments under the administration's existing \$75 billion loan modification program.

The plan aims to help 3 to 4 million borrowers avoid foreclosure _ the same target the administration tried to reach with its original plan last year. Even with the changes, the effort will likely prevent no more than 1.5 million foreclosures, estimates Mark Zandi, chief economist at Moody's Analytics.

Disputes among banks and investors, who would have to approve any cuts in loan principal, could prevent the effort from stopping more foreclosures, as could another drop in home prices.

"Practically speaking, this is probably going to prevent foreclosures. But I don't think they're ever going to reach 3 to 4 million homeowners," said Chris Mayer, a real estate professor at New York's Columbia Business School. "These plans always turn out to be harder than we think."

The administration's existing program to prevent foreclosures hasn't made much of a dent in the foreclosure crisis. A lack of planning and shifting rules on who qualifies produced a huge backlog in the program, the special inspector general for the federal financial bailout fund told lawmakers this week.

Still, analysts said this effort has a better chance of success than past efforts because it would reduce principal for some struggling borrowers _ a method more effective at helping homeowners than reducing interest payments or other forms of aid. Laurie Goodman, a widely followed mortgage securities analyst with Amherst Securities Group, called it "a huge step forward."

The plan comes after pressure from the administration's Democratic allies in Congress to intensify efforts to help Americans at risk of losing their homes.

The overhauled plan came together after several months of negotiations between the Treasury Department, major banks and investors in mortgage securities. A major sticking point so far has been getting everyone involved to agree on restructuring loans.

The problem is that most of the troubled mortgages aren't owned by the banks themselves. They were bundled into securities during the housing boom and sold to investors.

To reduce principal payments on those mortgages, banks often must get permission from the investors who hold the securities _ and may not be willing to take less.

Banking industry officials were optimistic that investors would negotiate.

"You have two choices: Modify the mortgage and help a borrower stay in their home or possibly get nothing if they foreclose," said Scott Talbott, the chief lobbyist for the Financial Services Roundtable, an industry group.

The plan risks angering Americans like Jim Truschel, a homeowner in La Mirada, Calif., who said he was disappointed the government is spending taxpayer money on another homeowner bailout effort.

"I feel very sorry for the people that are in these situations, but they have to be somewhat to blame themselves," said Truschel, a retiree. "They should have realized that they were getting into things that they weren't going to be able to pay for."

The administration says irresponsible borrowers will not benefit. The plan will not help investors, speculators or "Americans living in million-dollar homes or defaulters on vacation homes," an administration fact sheet said.

Diana Farrell, a White House economic adviser, acknowledged the plan won't prevent many of the expected 10 to 12 million foreclosures expected over the next three years. Doing so, she said, "wouldn't be fair, it would be too expensive and we probably wouldn't succeed in any case, because many people got into homes that they simply cannot afford."

Rep. Barney Frank, chairman of the House Financial Services Committee, praised the new steps, particularly giving jobless borrowers a break on their payments for three to six months.

"The whole economy is hurt by these foreclosures," Frank said.

For taxpayers, the government's plan carries some risk. Lenders will probably sell their most troubled loans to the FHA so they can be insured against default, said Mayer of Columbia Business School. Taxpayers would have to cover any FHA-backed loan that does default.

"There's more risk to taxpayers," Mayer said. "There's a big incentive for lenders to give the government the worst of their loans, the ones they fear they won't get paid back on."

One "underwater" homeowner, Joe Clarke, a police officer in Oxnard, Calif., welcomed word of the plan. He owes \$390,000 on his home, which is only worth about \$250,000, and he fears his adjustable-rate loan will reset to a higher rate in August.

"I've made my payments," he said. "I didn't walk away from my house. I'm just not being afforded the opportunity to refinance my home, even at the current value, without taking the principal off."

BITS Offers Tips on Preventing Mortgage Fraud
LoanSafe.org
March 29, 2010
By Moe Bedard

As several initiatives continue to help consumers fight foreclosure and stay in their homes, BITS, the technology policy division of the Financial Services Roundtable has re-released the following booklet, "Be Your Own Best Advocate: Mortgage Fraud Prevention." The booklet works to educate consumers about mortgage fraud and provide simple solutions they can use to protect themselves.

"Be Your Own Best Advocate" contains examples of how to avoid common mortgage fraud schemes such as signing incomplete documents or making payments for foreclosure rescue services that are otherwise free through government programs, such as the Homeownership Preservation Foundation and their HOPETM Hotline.

"Be You Own Best Advocate' is a powerful consumer tool, and a resource that is invaluable as the economy begins to rebound," said Leigh Williams, President of BITS.

Common mortgage fraud scams outlined in the booklet include property flipping, real estate investment schemes, and reverse mortgage scams. It also includes examples of foreclosure rescue scams that prey upon individuals who are in danger of losing their home and recommends that consumers contact their lender or non-profit organizations which can assist the consumer before they fall victim to this fraud.

"Fraud knows no boundaries and it is the industry's responsibility to help where we can by sharing our knowledge of mortgage fraud with the public," said Steve Bartlett, President and CEO of The Financial Services Roundtable.

“Be Your Own Best Advocate: Mortgage Fraud Prevention” can be accessed online at: http://www.bits.org/p_publications.html#FR.

BITS is the technology policy division of the Financial Services Roundtable, leveraging intellectual capital to address emerging issues at the intersection of financial services, operations and technology. BITS focuses on strategic issues where industry cooperation serves the public good, such as critical infrastructure protection, fraud prevention, and the safety of financial services.

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Roundtable member companies provide fuel for America’s economic engine, accounting directly for \$74.7 trillion in managed assets, \$1.1 trillion in revenue, and 2.3 million jobs.

Insight on Foreclosure Help For Home Owners

FOX 5 News

March 29, 2010

The Obama administration announced plans Friday to reduce the amount some troubled borrowers owe on their home loans and give unemployed homeowners a temporary break.

Government officials cautioned that the plan won't stop all foreclosures or help all troubled homeowners.

Senior vice president for government affairs at the Financial Services Roundtable Scott Talbott joined us with insight.

Click [here](#) to view the video clip.

Changing Course

The American Banker

Marcy 29, 2010

By Stacy Kaper, Joe Adler, Donna Borak and Barbara A. Rehm

Richard M. Whiting has accumulated many fans in the 25 years he has represented large financial companies in Washington and one big reason is his ability — and willingness — to explain complex banking laws.

Georgetown University Law School recognized that talent earlier this month when it awarded its Vicennial Medal to Whiting, the executive director and general counsel of the Financial Services Roundtable. Whiting has been on Georgetown's faculty for two decades, teaching the Federal Law of Financial Institutions course in its Masters of Laws program. Some of the nearly 1,000 students who have taken his class went to work on Capitol Hill, writing the laws Whiting's class covers.

With a regulatory reform bill nearing enactment, we asked Whiting how much the course will change. "Everything," he said.

As chairman of the American Bar Association's banking law professors committee, Whiting is hosting a meeting in June to discuss how teaching of the law will change. "It's going to be a whole new ballgame," he said. "It's going to be fun."

About Time for Treasury to Sell its Citi Stake?

FOX Business

March 29, 2010

Scott Talbott of The Financial Services Roundtable on the Treasury Department's decision to sell its shares of Citigroup.

Click [here](#) to view the clip.

Automatic savings will prepare you for retirement, not to mention an emergency

The Boston Globe

March 30, 2010

By Humberto Cruz

Start small if you must, but start. And then keep saving your money — automatically, if possible.

That's the message from the recent America Saves Week campaign.

"The essential message is to take action to build wealth, not debt," said Dallas Salisbury, chairman of the American Savings Education Council, which helps to maintain the noncommercial www.AmericaSavesWeek.org website.

Its useful 12-item checklist has questions such as whether you know your net worth and have a spending plan that allows you to save enough money to meet your goals.

Millions of Americans, still reeling from the recession, would have to say no. According to a survey of more than 1,000 adults conducted for America Saves in February, the percentage of Americans with a spending plan that allows savings declined from 49 percent in 2008 to 46 percent this year.

And just 49 percent save for retirement at work, down from 55 percent two years ago.

The numbers “don’t bode well for the financial future of many Americans,” said Stephen Brobeck, executive director of the Consumer Federation of America.

Particularly at risk are lower- and moderate-income households: 57 percent of families with incomes under \$25,000 and 39 percent of those with incomes between \$25,000 and \$50,000 say they don’t have enough money set aside for unexpected expenses.

“It’s very disturbing that a significant number of Americans are not prepared for routine emergencies, let alone retirement,” Brobeck said.

“Setting up an automatic savings account for emergency funds, retirement, and other major life milestones has never been more important,” said Nancy Register, an America Saves director.

When you transfer money directly from your paycheck or checking account into a savings or investment account, you’re less likely to miss the money — and more likely to adjust your spending.

For many, relatively high minimum balances to open and/or maintain savings accounts have been a barrier to automatic savings. Last month, the consumer federation, the Employee Benefit Research Institute, and the Financial Services Roundtable, which includes most of the largest banks, announced a commitment to follow “best practices” to promote and facilitate automatic saving.

These practices include free automatic transfers from checking to savings; low minimums for automatic savers; incentives for customers to use automatic savings; good disclosure of automatic savings options; and active promotion of these options.

“The Roundtable will do everything in its power to encourage retail banks to adopt these practices to improve their programs so that they meet these criteria,” said Steve Bartlett, the group’s president.

Morning Money: Spinning the Citi Sale
Politico
March 30, 2010
By Ben White and Eamon Javers

Could the \$8 billion profit the U.S. is expected to make on the sale of its stake in Citigroup emerge as a major talking point in the banking industry's opposition to President Obama's proposed \$90 billion tax on the nation's largest banks? One financial industry lobbyist suggested as much to POLITICO's Eamon Javers. **"Large banks are repaying TARP with a profit to the taxpayer – every penny is coming back,"** said Scott Talbott, senior vice president of government affairs at the Financial Services Roundtable. **"The purpose of the bank tax was to ensure the taxpayers are repaid. The repayments with interest by large banks should eliminate the need for any bank tax."**

Securities Debate Is All About Trust
Wall Street Journal
March 30, 2010
By: Ruth Simon and Kara Scannell

The effort to revive the market to package loans into securities has turned into a battle between regulators and lenders over a fundamental question: Can banks and their overseers be trusted to prevent bad lending?

The Obama administration believes they can't, and one way to prevent lenders from making bad loans on credit cards, cars and homes to require that the lenders and companies that package loans into securities hold a portion of the loans on their balance sheets.

Industry officials counter that the requirement that they keep some skin in the game, combined with other regulatory and accounting changes could hinder any recovery in the securitization market. And that could prevent consumer and commercial real-estate lending from returning to normal.

Congress agrees with the president. Part of a broad overhaul of financial rules that cleared the Senate Banking Committee last week, the measure would require lenders and companies that package loans into securities to hold at least 5% of the credit risk, though regulators could set lower standards for less risky loans. A similar measure was included in financial-overhaul legislation passed by the House of Representatives in December.

The Securities and Exchange Commission is about to weigh into the debate, proposing a rule that would include, among other things, that banks need to hold

onto a portion of the securities in order to be granted an expedited offering. As early as next week, the SEC will propose a series of new rules to require more disclosure about the pool of assets, steer investors to higher quality securities, and slow down offerings by giving investors more time to review prospectuses.

The risk-retention requirement is a key part of the Obama administration's efforts to restore confidence in the securitization markets. The provision "is meant to address a critical weakness of the securitization process: it reduces incentives for prudent underwriting," says Assistant Treasury Secretary Michael Barr. Lenders and underwriters issued too many risky loans in part because they had little stake in how these loans performed, administration officials say.

Industry groups counter that the risk retention measure, combined with other changes, could hurt credit availability.

"[G]iven the totality and far reaching implications of regulatory and accounting changes, there are serious concerns about the future viability of the securitization markets," a coalition of 21 industry groups said in letter sent Thursday to Sens. Christopher Dodd and Richard Shelby.

The groups include the American Bankers Association, the Commercial Real Estate Finance Council, the Mortgage Bankers Association and the Securities Industry and Financial Markets Association.

Some critics of risk retention say that banks held a financial interest in many risky loans made during the housing boom. "People seem to forget that ... the banks were holding too many subprime mortgages, not too little," says Dwight Jaffee, a professor of finance at the University of California at Berkeley.

Issuers of bonds backed by credit cards, auto loans and student loans typically keep a portion of the risk on their books. In 2003, hedge funds and other investors began investing in the riskiest slices of bonds backed by residential mortgages, making risk retention in these deals less common.

Appetite for these high-yielding slices helped fuel the market for so-called private-label mortgage securities, which don't carry government backing. At the peak of the housing boom in 2006, private-label securities accounted for 38% of mortgage originations, according to Inside Mortgage Finance, an industry newsletter. But the private-label market collapsed in 2007 amidst lax underwriting and rising mortgage delinquencies.

Some industry groups, including the Mortgage Bankers Association and the Financial Services Roundtable, which represents the largest financial

institutions, say they don't oppose the concept of risk retention. But they want traditional 30-year fixed-rate mortgages and other well-underwritten loans to be exempt from the requirements.

"Mainstream products should not require risk retention," says John Courson, chief executive of the Mortgage Bankers Association. "We believe it needs to be on the riskiest products."

The American Securitization Forum, the trade group for the securitization industry, says that a better way to align incentives is to strengthen "representations and warranties," which spell out the circumstances under which troubled loans must be repurchased.

Tom Deutsch, executive director of the ASF, says that the proposed rules, combined with recent changes in accounting rules and capital requirements, would make it "highly unlikely" that banks would do many securitizations. Those rules, which took effect in January, will over time require banks to hold regulatory capital against the full value of any securitization in which they hold a meaningful interest.

Banking regulators, meanwhile, are split about the best way to foster better underwriting. The Federal Deposit Insurance Corp. included a 5% risk retention requirement in its preliminary proposals for how securitizations should be treated when a bank fails.

"Retaining some of the risk of the loan on the balance sheet will realign incentives," says Michael Krimminger, the FDIC's deputy to the chairman for policy.

Comptroller of the Currency John Dugan has suggested a better approach would be for regulators to set minimum loan standards, such as verification of borrower incomes and a requirement that borrowers make meaningful down payments, for all mortgages.

**HOPE NOW servicers assist 1,300-plus Pacific Northwest families
National Mortgage Professional
March 30, 2010**

More than a dozen HOPE NOW servicers, including Bank of America, Chase, Citi, GMAC, Suntrust, Wells Fargo and others, assisted more than 1,300 homeowners from across the Pacific Northwest, during three homeownership preservation events held recently in the area. On March 23, 532 at-risk families were in attendance at the Doubletree Hotel in Portland,

Oregon to meet with mortgage servicers and U.S. Department of Housing & Urban Development (HUD)-approved housing counselors. A two-day event in Bellevue, Wash. (Seattle area) on March 25-26 saw an additional 796 homeowners. The second day of the Bellevue event was specifically held for the purpose of collecting missing documents needed for Home Affordable Modification Program (HAMP) applications.

“HOPE NOW has now held 69 total events since 2008, assisting over 59,000 families in a safe, confidential and free environment,” said Faith Schwartz, executive director of HOPE NOW. “In 2010 alone, we have already hosted 10 events across the country. The industry has reached out aggressively and collaborated with the government and the non-profit communities to make these events successful. We are pleased that at-risk homeowners in the Portland and Seattle areas made the effort to come out and work towards solutions to their mortgage issues. Our servicers are committed to face to face outreach as one of their many tools for keeping as many borrowers as possible in their homes.”

At the Bellevue, Wash. event, Tim and Rae Engebretson from Tacoma, Wash. were among several homeowners who received results on-site.

“When I first got the letter from GMAC, I was sure it was a scam, but my husband convinced me to come to the event. We are facing an unemployment situation and are determined to keep our home. Showing up today was well worth the effort as our lender was able to reduce our monthly payments by almost half for the next six months. This will help us greatly as we try to get ourselves back into the workforce,” said Mrs. Engebretson.

“GMAC supports the goal of preserving homeownership, and was pleased to work with HOPE NOW and its partners at these events in order to help at-risk homeowners find solutions. We made our skilled loss mitigators available so that we could reach a decision on-site wherever possible. In all cases, we will continue to work with the borrower to reach a resolution,” said Dana Dillard, senior vice president of mortgage initiatives at GMAC,” said Dana Dillard, vice president at GMAC.

These homeownership preservation events will continue throughout 2010, with events already lined up for Reno, Nevada on April 6 and Las Vegas, Nevada April 8-9. Events in Richmond, Va. and the New York City area are also tentatively scheduled for April. The workshops are co-sponsored by the Obama Administration’s Making Home Affordable Program and NeighborWorks America.

Obama law overhauls student loan business
The Financial Times
March 30, 2010
By Alan Rappeport

The Obama administration on Tuesday said it will free up \$68bn during the next decade through an overhaul to the student loan system that will end government subsidies to banks and instead make loans directly to students.

President Barack Obama signed the legislation along with the final fixes to the healthcare reform law, which was passed in Congress last week and was then adjusted through the reconciliation process. The student loan reform, which was tucked into the larger bill, has been largely overshadowed but is expected to create a significant shift in how funding for higher education is accessed.

“For almost two decades, we’ve been trying to fix a sweetheart deal in federal law that essentially gave billions of dollars to banks to act as unnecessary middlemen in administering student loans,” Mr Obama said as he signed the bill at community college in Virginia.

The US government plans to use the savings from circumventing banks and financial institutions as lenders to offer greater access to Pell grants, which do not need to be repaid. It will also invest \$2bn over four years in community colleges and another \$2.5bn in colleges that cater to minorities.

Beginning in 2014 borrowers will only be required to repay 10 per cent of their annual income, down from the current cap of 15 per cent.

Mr Obama on Tuesday criticised Sallie Mae, the biggest US student lender for spending \$3m last year to hire an “army of lobbyists” to prevent his reform plan from becoming law.

Opponents of the student loan measure argued that it would be damaging to financial institutions and employees that currently process student loans. The Financial Services Roundtable said that the law would eliminate another choice from the market and Republicans called it another government takeover of private industry.

“We have the government running banks, insurance companies, car companies, health care and now the student loan business,” said Mitch McConnell, the Senate’s top Republican. “Americans are looking for jobs and economic growth, not for the government to expand its tentacles even further into their lives and the economy.”

Senator Chuck Hagel and John G. Stumpf Nominated to Chevron Board of Directors
Business Wire
March 31, 2010

Chevron Corporation (NYSE:CVX) today announced that Senator Charles (Chuck) T. Hagel and John G. Stumpf have been nominated for election to Chevron's board of directors. Hagel and Stumpf will be part of the slate of board nominees to be considered for election to Chevron's board at the company's annual meeting of stockholders on May 26. If they are elected, the board will expand from 14 to 16 members.

Hagel is a distinguished professor at Georgetown University and the University of Nebraska at Omaha and is Chairman of the Atlantic Council. He is Co-Chairman of the President's Intelligence Advisory Board and a member of the Secretary of Defense's Policy Board and the Secretary of Energy's Blue Ribbon Commission on America's Nuclear Future.

Hagel served two terms in the United States Senate (1997-2009) representing the state of Nebraska. Hagel was a senior member of the Senate Foreign Relations Committee, the Banking, Housing and Urban Affairs Committee, and the Intelligence Committee. Prior to his election, Hagel was president of McCarthy & Company, an investment banking firm in Omaha, Nebraska.

Hagel serves on the advisory boards of directors of: Commission on Climate & Tropical Forests; Director Emeritus, the Eisenhower World Affairs Institute; Global Zero Campaign; Ploughshares Fund; Public Broadcasting Service (PBS); and the U.S. Middle East Project. He is co-chairman of the Vietnam Veterans Memorial Fund Corporate Council. He also serves on a number of other public and private company advisory boards.

Hagel is a graduate of the University of Nebraska at Omaha.

Stumpf is Chairman, Chief Executive Officer and President of Wells Fargo & Company (NYSE: WFC).

A 28-year veteran of Wells Fargo and its predecessor companies, Stumpf has served in numerous executive capacities including leading Wells Fargo's Southwestern Banking and Community Banking groups and the integration of Wells Fargo's \$23 billion acquisition of First Security Corporation. In December 2008, Stumpf led one of the largest mergers in history with the purchase of Wachovia.

Stumpf was recently elected to the board of directors of Target Corporation. He also serves on the board of directors for The Clearing House and the Financial Services Roundtable and on the board of trustees of the San Francisco Museum of Modern Art.

Stumpf earned his bachelor's degree in finance from St. Cloud State University and his MBA with an emphasis in finance from the University of Minnesota.

Chevron is one of the world's leading integrated energy companies, with subsidiaries that conduct business worldwide. The company's success is driven by the ingenuity and commitment of its employees and their application of the most innovative technologies in the world. Chevron is involved in virtually every facet of the energy industry. The company explores for, produces and transports crude oil and natural gas; refines, markets and distributes transportation fuels and other energy products; manufactures and sells petrochemical products; generates power and produces geothermal energy; provides energy efficiency solutions; and develops the energy resources of the future, including biofuels. Chevron is based in San Ramon, Calif. More information about Chevron is available at www.chevron.com.

**Private Sector Mortgage Modifications Outnumber HAMP 2 to 1
Housing Wire
March 31, 2010
By: Jon Prior**

HOPE NOW reported twice as many homeowners received a modification from the private sector than from servicers participating under the government-led Home Affordable Modification Program (HAMP).

In February, 95,586 homeowners received a modification from the HOPE NOW alliance of mortgage servicers, investors, insurers and non-profit counselors. HAMP modifications went to 52,905 borrowers in the same month for a total of 148,000 modifications.

The US Treasury Department launched HAMP in March 2009 to provide incentives to servicers for the modification of loans on the verge of foreclosure. After a year of the program, servicers provided more than 170,000 permanent modifications.

Roughly 78% of the HOPE NOW modifications completed in February received a reduction of principal and interest.

“Our data shows that mortgage servicers are continuing a strong effort on proprietary and HAMP modifications in the first two months of 2010,” said Faith Schwartz, executive director of HOPE NOW, an alliance of agents, servicers and investors in the mortgage industry.

In order to boost HAMP performance, the Treasury released guidelines that encourage principal write-downs.