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Banks Urged To Help Americans Save For Future

All Headline News

February 19, 2010

By Tejinder Singh

A concerted effort to prepare millions of Americans to save for their rainy days and prepare for retirement was launched by a host of large banks and consumer organizations on Thursday. Ronald P. O'Hanley, president and chief executive of BNY Mellon Asset Management, was joined by Stephen Brobeck, executive director of the Consumer Federation of America, and Steve Bartlett, president and chief executive of The Financial Services Roundtable, at a National Press Club Newsmakers press conference to address the lack of saving habits by Americans.

"There really is a savings crisis and it ranges from low to middle class families," O'Hanley told the audience of journalists and sector specialists, adding, "They blow out a tire in their car, they need to take care of a leak in the roof, but they have no money to handle that."

"More people in the world today are over 65 than the people [who] ever had reached the age of 65," he cautioned about retirement groups emerging in the coming years.

"Thirty five million people have no retirement plan while a minimum of \$52,000 is needed for an average American household to survive," he said.

The speakers highlighted the pragmatic ways the Consumer Federation of America and the Financial Services Roundtable are implementing innovative savings programs that pay consumers to save with "automatic" options and by requiring very low minimum balances.

Out of a total of 21 banks in the group, 16 major banks have already announced lowering their minimum balances on savings accounts, making it easier for people to save without having to worry about getting hit by low balance fees.

The audience was told that US Bank has no minimum savings account balance, while Regions has a \$5 balance and Bank of America has a \$25 minimum balance.

In the past, the standard minimum savings account balance could be as much as a few hundred dollars, but some banks have lowered their minimum balances to between \$25 and \$50, O'Hanley said, urging consumers to save with a slogan: "Pay yourself first."

Bartlett, of the Roundtable group, said, "I think we have a responsibility to bank the unbanked, and some days we do a better job at that than others," adding, "This is targeted at tens of millions of families that have a bank or credit union but don't have a savings account."

The financial leaders unveiled

- New federal data on Americans' savings rates
- Polling on consumers' attitudes towards saving
- A new national campaign to increase savings among all segments of society, particularly low- and middle-income families.

The data showed that more than half of families making up to \$34,000 have not opened saving accounts while two-thirds of families making less than \$19,000 a year lack savings accounts.

Some 42 percent of middle-income families making between \$34,000 and \$54,000 don't have savings accounts and 20 percent of those making more than \$89,000 also don't have savings accounts.

The experts, however, noted that those who have current accounts can be persuaded to open a parallel saving account and, with an "automatic" savings option, start saving for "rainy day" as well as retirement.

To encourage low, moderate and middle-income families, the banks will offer financial incentives for savers, according to the financial pundits.

U.S. Bank, a Fortune 500 company, is offering a \$50 Visa gift card for the first \$1,000 saved. If the balance is maintained for a year, the saver gets another \$50 gift card.

In April, BBVA Compass will start a program that matches up to 6 percent of the funds that customers automatically transfer into savings each month.

The Financial Services Roundtable encouraged its bank members to allow customers to transfer money from checking to savings for free, and said that each of the group's 21 largest banks already do so. The Roundtable chief disclosed that six of the group's members are hitting the streets with ad campaigns in the coming weeks to attract consumers.

The panel called for Congress to propose and pass more legislation to help Americans save and streamline the ongoing efforts to ingrain the savings habit in the American culture.

End of Line Looks Near for Student Aid Program
American Banker
February 18, 2010
By Stacy Kaper

Though regulatory reform has stolen center stage on Capitol Hill, the Obama administration remains intent on wiping out the Federal Family Education Loan Program, and its demise appears to be just a matter of time.

The House passed legislation last year to end the program, which lets lenders offer student loans at low rates through partial government guarantees, and the Senate plans to follow suit soon. Though it has been stalled by the lingering debate over health-care reform, the measure enjoys strong Democratic support, in part because dismantling FFELP is projected to save the government \$87 billion over 10 years.

On Wednesday, Education Secretary Arne Duncan ratcheted up his calls for ending the program, arguing banks have benefited long enough.

"The banking industry has had a free ride from taxpayers for too long," he said in a conference call with reporters. "They have had their bailouts. They have had their subsidies, and they've paid themselves very well while working families and students are struggling to make ends meet."

Duncan said taxpayers paid up to \$8 billion a year to subsidize student loans.

"Essentially, we give the banks our money, and they lend it back out to students with interest, and if the students can't pay, we pick up the tab," he said.

Political analysts said the cost-savings potential is too attractive for Congress to let pass by.

"The administration has repeatedly called for eliminating the FFELP and using the savings to boost educational spending," said Jaret Seiberg, an analyst with Washington Research Group, a division of Concept Capital. "Given the success Democrats have had in curbing the private sector's involvement in student lending in order to fund politically popular education initiatives, one has to believe the president is going to succeed in this latest effort."

Lenders, including the Student Loan Marketing Association, or Sallie Mae, are pushing an alternative to ending FFELP that they hope will gain some momentum on Capitol Hill. The plan, the Student Loan Community Proposal, would let lenders continue to originate and service student loans, but sell them to the government, eliminating the need for costly credit subsidies.

Sen. Robert Casey, a Pennsylvania Democrat whose state is home to thousands of Sallie Mae employees, has shown the most interest in the lenders' idea but has not committed. He requested the Congressional Budget Office study the alternative last year.

"The short answer is I don't know yet where I'll come down on that question," he said during a call with reporters Wednesday. "We want to make sure that as we examine both the impact on student lending, and the availability of lending for young people to go to college, we also need to assess, in states like Pennsylvania, the potential job impact. And those are among the considerations I'm weighing right now, but I have not made a decision yet."

Still, observers said it is unlikely the idea will gain traction. The administration's plan would create larger savings, and Duncan shot down the alternative on Wednesday. It "would replace subsidies with fees on taxpayers, and the lenders' plan would cost taxpayers \$13 billion more over 10 years and by definition cover many fewer students," Duncan said. "Americans want to invest in their children and their future, and not in profit for banks."

Congress has already succeeded in making inroads at unraveling banks' participation in the federal student loan marketplace. The government guarantee and other benefits for FFELP lenders were significantly slashed through reforms in 2007 that made such loans much less profitable.

The new law prompted several lenders to pull back or pull out of the market, including Bank of America, KeyCorp and U.S. Bancorp. Scott Talbott, a senior vice president for the Financial Services Roundtable, whose members

include most of the largest student lenders said that the 2007 reforms have already had a big impact.

"Since the 2007 reforms, which decreased the program's profitability, about a third of our members have stopped offering federal student loans, and another third have greatly reduced it," he said. "For the rest that decided to stick in the business, it's a marketing tool more than anything."

Since 2007, 183 student lenders have exited or suspended their participation in all or part of the FFELP program, according to FinAid.org. Of those, 117 lenders have suspended all participation with FFELP while the other 66 have suspended just consolidation loans.

Even before President Obama took office, abolishing FFELP was a big priority for the late Senate Health Education Labor and Pensions Committee Chairman Edward Kennedy. His successor, Sen. Tom Harkin, D-Iowa, has said he remains just as committed to the cause but has waited for the Senate to take up a budget reconciliation measure since such measures only need a simple majority of 51 votes to pass.

But with reconciliation still viewed as a possible vehicle for moving the stalled health-care reform legislation, efforts to reform student lending have been held up. Analysts and lobbyists on both sides of the issue said the legislation's outlook remains dependant on what happens with health-care reform.

"This should have been done months ago, but it has been held hostage to the health-care debate," Seiberg said.

Jason Delisle, the director of the Federal Education Budget Project at the New America Foundation, said the administration's position will ultimately prevail. "If it were a free-standing bill moving through reconciliation, I would say it would be a done deal," he said.

While legislation to end FFELP remains in limbo, another battle is brewing for lenders that are still offering student loans. Based on assumptions that legislation to end FFELP would already be enacted, a temporary measure passed in 2008 that lets the Education Department buy student loans from lenders on the secondary market is due to expire July 1.

With many colleges and universities still offering student loans through banks and other lenders rather than government direct loans, lenders argue the program, known as Ensuring Continued Access to Student Loans Act, should be extended at least another year.

The Department of Education's budget for the 2008 to 2009 year and its projections for the 2009-10 year said that the liquidity program was covering about 57% of FFELP loans, or about \$112 billion.

But the administration has said the program should not be extended. "We see no need to extend it," said Deputy Under Secretary of Education Robert Shireman, who joined Duncan on the call.

Anne Wallace participates in national radio tour

Various news sources

February 19, 2010

ITAC President Anne Wallace participated in a national radio tour on identity fraud prevention on Feb. 11. The media outreach follows the release of a national report sponsored by ITAC showing an increase in identity fraud. Interviews included the Wall Street Journal Radio Network and were broadcast over 1,500 stations including KCBS (San Francisco), KNX (Los Angeles) and KLUV (Dallas).

ID Fraud Grew 12% in 2009, But Wells Fargo's Fraud Losses Are Down

Penny Crossman

10 February 2010

Bank System and Technology

There's a good news/bad news scenario in the results of Javelin Research's latest identity fraud survey released today: although this type of crime is growing (by 12% in 2009), it's growing less quickly than it did in 2008 (a scary 22% during that tumultuous year) and identity fraud cases are getting reported and resolved more quickly. One aspect of the speedier resolutions is improvements in bank technology such as fraud detection.

According to the 2010 Identity Fraud Survey Report, 11.1 million U.S. adults were victims of identity fraud in 2009, while the total annual fraud amount increased by 12.5 % to \$54 billion. Average fraud resolution time dropped 30% to 21 hours, and nearly half of the victims file police reports, resulting in double the reported arrests, triple the prosecutions, and double the percentage of convictions in 2009. The identity information most likely to be compromised in a data breach is full

name (63%) and physical address (37%). Health insurance information has been targeted at a year-over-year increased rate of 4%. The percentage of Social Security numbers compromised decreased to 32% from 38% in 2008.

"Identity fraud goes up when economic health goes down," says James Van Dyke, founder and president of Javelin, in an exclusive interview with Bank Systems & Technology. "It's almost a perfect correlation. Criminals are doing more than they've ever done before and they're motivated more right now than ever before."

The survey found an increase in stolen checking account numbers and health information documents and that small business owners suffer identity fraud at 1.5 times the rate of all other adults.

Van Dyke describes identity fraud as a unique crime because often it's interconnected criminals stealing data from family and friends. In 13% of cases, he says, the victims know the identity of the perpetrator. "The closer people are to you, the more they have an advantage because you're looking at a crime of impersonation," Van Dyke explains. "The service provider has to try to use as many legitimate ways as possible to confirm your identity."

On the bright side, this survey and other research Javelin has done prove that banks' fraud-fighting technology works much better than it did a year ago. A case in point in Wells Fargo, which was a co-sponsor of the survey.

"We know that because of all the tools we have in our layered security approach, as well as through relationships we've built with other banks, the actual losses we're seeing (and we guarantee all online banking fraud losses) has actually dropped year over year," says Teddy de Rivera, executive vice president of the Internet Services Group at Wells Fargo, in an exclusive interview. Although he couldn't share numbers, he said online losses at his bank are relatively small.

Wells Fargo's fraud detection systems profile customers' online behavior and monitor it the way credit card fraud detection software analyzes card purchases — any unusual payments or actions are flagged. If a customer logs in from a new location, uses a different computer, changes his bill pay pattern or suddenly makes more or higher payments, those would all be signs of potential fraud. "We're able to detect and discover fraud, get in touch with customers and make sure that we validate before we let payments go through," de Rivera says. While the software Wells Fargo uses to detect online banking fraud is very similar to its card fraud detection tools, it's more effective because the bank has more data about online banking. "We're all creatures of habit, so typically when someone goes in to do online banking, they tend to do a lot of the same things," he says. "We have visibility into all of that information."

The bank has also been rolling out out-of-band two-factor authentication it calls Advanced Access. "If you're setting up a new payment to move money from your BofA account to your Wells Fargo account, the tool asks you to put in a one-time code that we text to you or send via voice alert," de Rivera explains.

But customers have some responsibility to protect their own information, he points out. "The most important thing consumers can do is monitor their bank account and make sure there are no unusual actions," de Rivera says. They can do this by making frequent use of mobile banking and reading the SMS and email alerts the bank sends about account activity such as a low balance or an unusually large payment.

Although a customer who receives frequent email alerts could become susceptible to phishing (whereby the customer opens an email that he thinks is from his bank or some other trusted source and unwittingly gives a criminal the information to access his computer), Wells Fargo educates its customers to recognize and avert this type of fraud. "The basic advice we give is that the bank will not ask you for sensitive information over the phone or through a text message or email," says de Rivera. "That's one of the most important things consumers should know." The bank instructs customers to call the number on the back of their ATM card, go to the bank's official website or walk into a branch if they're not sure about a communication from the bank.

Comparing notes with other financial institutions has also been extremely helpful to Wells Fargo, de Rivera says. **The bank is a founding member of the Identity Theft Assistance Center and an owner (along with Bank of America, BB&T and JPMorgan Chase) of Early Warning Services, a company that collects and shares banks' fraud data. "If a fraudster is doing things over at BofA or at Wells, we share some of that information and intelligence," de Rivera says.** "That's very powerful because the fraudsters like to play the banks against each other. Sometimes we're able to spot the bad guys by the devices they come in with."

The methodology for the Javelin study was originally created by the Federal Trade Commission, which still uses its results. The research firm phone-interviewed 5,000 U.S. adults aged 18 and up. They were asked 50 questions such as, how they know their information was compromised (of those who do know), how it was used in actual fraudulent transactions, what are they doing to protect themselves, and how long did the crime go on.

About one in 20 U.S. adults — 4.8% — believe they were victims of identity fraud in 2009. This year, like every other year, credit card fraud was the most common

type of fraud. However, credit card fraud is also the least costly to consumers, Van Dyke points out, because their financial providers make them whole.

New account fraud is on the rise; it accounts for about a third of all fraud cases. "These are the most damaging types of fraud," Van Dyke says. "They typically have higher dollar amounts and if somebody establishes an account in your name, you're less likely to know about it." The number of fraudulent new credit card accounts increased to 39% of all identity fraud victims, up from 33% in 2008. New fraudulent online accounts opened more than doubled over the previous year. This year for the first time, the survey asked about new mobile phone account fraud; 29% of victims said they experienced this.

One finding of the report that surprised de Rivera was that millennials (consumers aged 18 to 24 years old) take nearly twice as many days to detect fraud, compared to other age groups, and thus are fraud victims for longer periods of time. Millennials were found to be the least likely group to monitor accounts regularly and take advantage of monitoring programs offered by financial institutions. "We monitor the stuff that a lot of people are putting on social networking sites like Facebook," he says. "People have to be circumspect about what they put out on their Facebook page." For instance, people can unintentionally reveal personal information via Facebook or Twitter the phishers could use to send realistic-sounding messages to them.

New Javelin Study: ID Fraud Hits Record Highs

Linda McGlasson

10 February 2010

Bank Info Security

The number of identity fraud victims increased 12 percent to 11.1 million people in 2009 -- the second consecutive annual increase. At the same time, the total amount of fraud also increased by 12.5 percent to \$54 billion.

These are the headlines of the newly-released 2010 Identity Fraud Study by Javelin Strategy & Research.

"As the economy gets more challenging and more and more people are out of work, there is more identity fraud," says James VanDyke, president and founder of Javelin. "[Fraud] is at the highest rate since Javelin began this report in 2003." The good news, VanDyke says, is "Consumers are getting more aggressive in monitoring, detecting and preventing fraud with the help of technology and

partnerships with financial institutions, government agencies and resolution services."

Fighting Back

VanDyke says other findings in the report reinforce the trend that fraudsters are becoming increasingly technology-savvy and are using personal information stolen in data breaches to open new accounts or to make changes to existing non-card accounts.

Organizations are fighting back by eliminating the use of Social Security numbers in account information, as well as more proactively monitoring and notifying customers of possible fraudulent activity. Consumers also are monitoring their accounts more frequently, using technologies such as the internet and mobile alerts.

Despite the number of victims going up, the average amount taken in each fraud incident has gone down, as has the average amount of time it takes for the fraud to be resolved.

"The industry is stepping up more and more to take care of these victims, but more needs to be done," VanDyke says. "Yes, they are stepping up to the plate -- the fraud mitigation efforts are better; fraud filters, neural nets, and detection capabilities are better than ever."

Going forward, he says, consumers need more tools to help them be safer. "The right tools and better, simple education of consumers will go along way to help prevent identity fraud. Remember, these are all crimes of impersonation."

Key Findings

Among other top findings in the new study:

Increase in New Account Fraud

The number of fraudulent new credit card accounts increased to 39 percent of all identity fraud victims, up from 33 percent in 2008. New online accounts opened fraudulently more than doubled over the previous year, and the number of new email payment accounts increased 12 percent. This year for the first time, VanDyke says, the study asked about mobile phone account fraud, and 29 percent of victims reported new mobile phone accounts were fraudulently opened.

Consumer Costs, Resolution Hours Drop

In 2009, there was a drop in fraud costs per victim and a decrease in time to resolution. VanDyke credits these trends to increased consumer awareness, assistance provided by financial institutions, consumer support organizations and law enforcement.

Personal Information is Hot

Identification most likely to be compromised in a data breach continues to be full name (63 percent) and physical address (37 percent). With a year-over-year increase of 4 percent, health insurance information is increasingly targeted. The percentage of Social Security numbers compromised decreased to 32 percent from 38 percent in 2008.

Fraudsters Target Existing Cards

75 percent of existing card fraud incidents came from credit cards, an increase of 12 percent over 2008. In contrast, existing debit card fraud incidents decreased 2 percent and represented 33 percent of total existing card fraud in 2009.

The annual survey is the largest of its kind and is modeled after the Federal Trade Commission's study. **This comprehensive identity fraud survey report is independently produced by Javelin and is sponsored by Fiserv, Intersections Inc., Wells Fargo, and Identity Theft Assistance Center (ITAC).** The survey is the nation's longest-running study of identity fraud, with more than 29,000 U.S. respondents over the past seven years.

Young adults slow to spot ID theft, survey shows

Jeremy M. Simon

10 February 2010

Credit Cards.com

Despite their Web savvy, young adults are slow to spot identity theft online, according to the Javelin Strategy & Research identity fraud survey released Wednesday.

In the annual Identity Fraud Survey Report, now in its seventh year, Javelin found that identity theft involving young adults typically go undetected for longer than fraud targeting older consumers. The survey showed that compared to other age groups, so-called millennials -- consumers age 18 to 24 -- take nearly twice as many days to detect fraud, leaving young adults fraud victims for longer periods.

Identity theft experts say the data highlights an unusual paradox about young adults. "It's sort of counterintuitive. They are online all the time. What they're not online doing is monitoring their credit cards and bank accounts," says Anne Wallace, president of the nonprofit Identity Theft Assistance Corporation (ITAC), which co-sponsored the survey. "That seems to be part of why they're not discovering [ID theft] as fast as other age groups."

Wallace says that although millennials don't tend to be victimized by fraudsters as often as other age groups, they still have ample reason to take the survey's findings to heart.

Invincible? No, vulnerable

While they may be wise about the World Wide Web, experts say that young people still have a lot to learn about the world's wicked ways. That lack of experience keeps them from taking the precautions necessary to frustrate fraudsters.

"I'd speculate that it's a feeling of not being vulnerable -- that they're still relatively innocent about the risks" of identity theft, says Wallace. She adds that millennials may believe that since they don't have a lot of money in the bank they aren't likely to be victimized. "But if somebody withdraws \$100 from your savings account, that can have a devastating impact," she says.

That same group of young people is also most likely to be online. Akamai's State of the Internet report for the third quarter of 2009 shows that people between the ages of 18 and 29 use the Internet the most, with 93 percent of that age group going online. That makes it a group that is comfortable on the Internet -- maybe too comfortable. "Younger people have a bigger comfort zone with regards to personal information, and that leads them to sometimes being unwise about the types of info on their Facebook pages," Wallace says.

ID theft tips for millennials

Rather than waiting the years it takes to develop a more world-wise attitude, millennials can take action to better guard their data:

Adjust your privacy settings. Facebook and other online sites offer privacy settings to restrict who gets to see personal information. Wallace says that young people need to familiarize themselves with these settings and use them to filter their data. She recommends that people ask themselves a key question: "Is this information I want everybody to know -- or only a much smaller group of people?"

Guard your data. Because young people often live in dorms or shared housing, they have to be vigilant about keeping their data (including Social Security and PIN numbers) out of the hands of less-than-trustworthy housemates or acquaintances. "It may seem like an obvious point, but don't give your roommate your PIN number," Wallace says.

Visit your bank's Web site. With banks and credit card issuers offering free account access online, young people have no reason not to surf over to check on their accounts. "When you monitor electronically, you will find the theft faster," says Wallace. "Faster detection translates directly into lower costs and less anxiety."

Protect your gadgets. In many cases, fraudsters are pretty Web-savvy themselves. And while young people may not fall victim to phishing and other more basic online scams, they still need to guard their computers and other gadgets. Installing firewalls and software to protect a computer against spyware and viruses can also help to safeguard personal information.

Experts say it's a constant battle to keep data safe from increasingly sophisticated networks of identity thieves, but it's one that young people need to participate in. "We have to acknowledge and adjust our perception of reality to accommodate that there are people looking to steal from you," Wallace says.

Other findings

Javelin also found:

The number of U.S. identity fraud victims rose 12 percent to 11.1 million adults last year, the highest level since the survey began in 2003.
The average fraud resolution time dropped 30 percent to 21 hours.

Nearly half of fraud victims now file police reports, resulting in double the reported arrests, triple the prosecutions and double the percentage of convictions in 2009.

Poll methodology

Javelin's poll was conducted via random digit dialing to 5,000 Americans, including 703 identity theft victims. Findings for the identity theft victims are considered accurate at a 95 percent confidence level, with a 3.7 percent margin of error.

Identity Theft on the Rise: Survey
Matthew Ingham
10 February 2010
GIGAOM

Identity theft has become so commonplace that the odds are pretty high that you've been a victim or you know someone who has. Those odds continue to increase, according to a survey released today by Javelin Strategy & Research. It found that the number of identity fraud cases rose by 12 percent in the U.S. last year, to 11.1 million. And the amount of money potentially affected by these frauds, Javelin says, grew by 12.5 percent, to \$54 billion. On the bright side, however, Javelin's survey also showed that more consumers are taking action when identity fraud occurs (i.e., filing police reports) and are also doing more to protect their data in the first place.

Javelin's research also showed that there have been other improvements over previous years, including: The average time it takes to resolve a fraud dropped last year by 30 percent, to 21 hours; the number of reported arrests in fraud cases doubled; the number of prosecutions of fraud tripled and the number of successful convictions also doubled. **The Javelin survey is in its seventh year, and is co-sponsored by Fiserv, Intersections, Wells Fargo & Co. and ITAC, the Identity Theft Assistance Center.**

Javelin says that the survey is the nation's longest-running study of identity fraud, with more than 29,000 U.S. respondents over the past seven years. Last year, the company did telephone interviews with 5,000 U.S. adults to identify and track the methods that fraudsters used, the impact of fraud on Americans and how these findings can help consumers most effectively avoid becoming victims of fraud. James Van Dyke, president and founder of Javelin, said in a statement:

The good news is consumers are getting more aggressive in monitoring, detecting and preventing fraud with the help of technology and partnerships with financial institutions, government agencies and resolution services.

Among the survey's other key findings:

Identity fraud that resulted from criminals opening new accounts with stolen information increased in 2009. The number of fraudulent new credit card accounts increased to 39 percent of all identity fraud victims, up from 33 percent in 2008. New online accounts opened fraudulently more than doubled over the previous year, and the number of new email payment accounts increased 12 percent. This year for the first time, the survey asked about new mobile phone account fraud and

29 percent of new accounts fraud victims reported new mobile phone accounts were fraudulently opened.

Identification most likely to be compromised in a data breach continues to be full name (63 percent) and physical address (37 percent). With a year-over-year increase of 4 percent, health insurance information is increasingly targeted. The percentage of Social Security numbers compromised decreased to 32 percent from 38 percent in 2008.

75 percent of existing card fraud incidents came from credit cards, an increase of 12 percent over 2008. In contrast, existing debit card fraud incidents decreased 2 percent and represented 33 percent of total existing card fraud in 2009.

Millennials (consumers aged 18-24 years old) take nearly twice as many days to detect fraud, compared to other age groups, and thus are fraud victims for longer periods of time. Millennials were found to be the less likely to monitor accounts regularly and the least likely group to take advantage of monitoring programs offered by financial institutions. However, Millennials were the most likely group to take action such as switching primary banks or switching forms of payment.

Identity fraud on the rise -- up 12% to 11.1 million adults affected in 2009

Tiffany Hsu

10 February 2010

Los Angeles Times

The number of identity fraud victims soared 12% last year, but they are striking back faster and more thoroughly, according to a report released Wednesday.

The economic downturn may have sparked the increase, according to Javelin Strategy & Research, which concluded that victims lost \$54 billion, a 12.5% swell. The number of consumers hit by fraud jumped for the second year in a row, to 11.1 million adults, the highest level since the survey was launched in 2003.

The defrauders, many working out of Eastern European crime rings, are using ever more sophisticated methods. But criminals are still targeting wallets, checkbooks, credit cards and other physical identification carriers twice as often as they use computer viruses, phishing scams or other digital tricks.

The information is then used by 42% of thieves for in-person or online purchases, and 21% use the data to shop over the phone or through mail. Some obtain healthcare or buy prepaid cards with the stolen names, birthdates or Social Security numbers; 10% withdraw cash from ATMs or write checks.

Last year, the number of new credit card accounts that were opened fraudulently shot up 39%, while new online accounts more than doubled and new e-mail payment accounts boomed 12%. Nearly 3 in 10 victims said their data had been used to open cell phone accounts.

And at least 13% of all identity crimes from 2009 were committed by someone whom the target had known.

But victims are now much more vigilant in detecting and dealing with fraud -- the average resolution time declined 30% to 21 hours last year. Out-of-pocket costs for fraud targets averaged \$373, but those unreimbursed losses, legal fees and time taken off work also dropped.

Nearly half of new victims now file police reports, doubling the number of reported arrests, tripling the prosecutions and doubling the percentage of convictions.

Still, most fraud continues to go undiscovered, according to the report, co-sponsored by Fiserv, Intersections Inc., Wells Fargo and Identity Theft Assistance Center. The survey was conducted through telephone calls to more than 5,000 U.S. consumers in November, including 703 fraud victims.

Of those, some demographics are more vulnerable. Small-business owners, for example, often use personal accounts to run their companies and are constantly making transactions, making them one-and-a-half times more likely than other adults to experience fraud.

Consumers ages 18 to 24, who often share computers and use them in public settings, tend to be slower in noticing identity thievery.

Fight Over Fed's Power Kicking into High Gear
Bank Investment Consultant
February 26, 2010
By: Cheyenne Hopkins and Stacy Kaper

WASHINGTON — The fight to keep the Federal Reserve Board's role in banking supervision has finally been joined.

Fed Chairman Ben Bernanke on Thursday made his strongest public pitch to date to keep the central bank's powers intact, while industry lobbyists privately told Treasury Secretary Tim Geithner that they will work with the administration to press Congress on the issue.

Although there remains strong support in the Senate to strip the central bank of much of its power, the issue is key as the final reform bill takes shape.

"The ICBA will fight tooth and nail to preserve the Fed's role in bank regulation," said Camden Fine, president of the Independent Community Bankers of America, who along with other trade group representatives met with Geithner on Wednesday. "In our view, it is absurd to blind the Federal Reserve to 8,000 community banks on Main Street America. That's very poor public policy."

All eight of the industry groups attending the meeting, including the American Bankers Association and the Financial Services Roundtable, told Geithner much the same thing.

The administration, too, appears ready to dig in on the issue, with Geithner telling participants that a final bill must not significantly dilute the Fed's powers.

Their objections come as Senate Banking Committee Chairman Chris Dodd, Sen. Richard Shelby, the panel's lead Republican, and Sen. Bob Corker, R-Tenn., appear close to sealing a deal on a reform bill. (See related story.)

A draft of the bill would create a powerful new Financial Institutions Regulatory Administration that essentially merges the Office of the Comptroller of the Currency, Office of Thrift Supervision and the banking supervision authorities of the Fed. Unlike the administration's proposal, which would give systemic-risk oversight to the Fed, the Senate bill would give such power to the new agency.

The central bank would no longer have any role in banking oversight, losing its current authority to regulate holding companies and state member banks.

Bernanke, testifying before Senate Banking on Thursday, warned it would be a "grave mistake" to take the Fed out of bank supervision. He said the Fed has expertise that the other banking agencies lack.

"A bank supervisor, which focuses on looking at credit files, is not prepared to look at the wide range of activities of a complex international financial firm," Bernanke said.

"The Federal Reserve, in contrast, by virtue of its efforts in monetary policy, has substantial knowledge of financial markets, payment systems, economics and a wide range of areas other than just bank supervision."

Bernanke, whose tone was much stronger than in previous testimony and speeches, said he was puzzled that lawmakers were even contemplating taking power away from the Fed.

"It's hard for me to understand why, in the face of a crisis that was so complex and covered so many markets and institutions, you would want to take out of the regulatory system the one institution that has the full breadth and range of those skills to address those issues," he said.

In contrast to previous statements, which have largely focused on systemically important firms, Bernanke also defended his agency's oversight of state member banks.

"The Federal Reserve — although we've been very focused on large institutions over the last couple of years because of the crisis — that we also supervise a large number of community banks, state member banks, and they provide us very important information about the economy. We can learn from them what's happening at the grassroots level, what's happening to lending, and that kind of information is very valuable for us as we try to understand what's going on in the economy."

Whether there is enough political support to defend the Fed is an open question. In the Senate, the central bank has become the symbol for unpopular government bailouts.

But the Fed does have its defenders, particularly in the House, which passed a reform bill that would expand, not limit, the central bank's powers. Assuming the Senate bill stays in its current form, the Fed is likely to be a key debating point when the House and Senate compromise on a final bill.

Importantly, some senators also stuck up for the central bank on Thursday.

"I count myself as one who thinks the Fed should maintain a supervisory role," said Sen. Evan Bayh, D-Ind. He later added it was important to not "scapegoat" the Fed.

Sen. Judd Gregg, R-N.H., also came to the Fed's aid.

"I do think it's important that you should be a major player in the regulatory atmosphere," he told Bernanke, "and your mistakes are no more egregious than others."

But Sen. Jack Reed, D-R.I., said the Fed would likely at least lose some authority.

"I don't think it's going to maintain its current role completely," he said.

"I think there's changes that will be adopted. ... There seems to be an emerging consensus that regulation of small state institution member banks is probably not something on the forefront, that could be done by the FDIC."

It is also unclear how much sway the industry will have with senators. To date most industry lobbyists have focused on other issues, including the creation of a consumer protection agency.

But the trade groups pledged to help defend the Fed during their meeting with Geithner.

"Among the bank trade associations there was unanimous support for the Fed's independence and keeping the Fed involved in bank regulation, and we indicated we would be working on that issue," said Ed Yingling, the ABA's president.

"It needs a significant role in bank regulation to include large institutions and ... state member banks. We talked about the need for the Fed to have that window into the banking system around the country, and not just stay totally focused on the largest institutions."

Rob Nichols, the chief operating officer of the Financial Services Forum, which represents the country's largest banks, said the Fed is a major issue for the administration and the industry.

"We talked about the Fed's role in the context of reg reform, specifically, the importance of preserving the Fed's role in supervision over banks, which compliments its monetary authorities, about the Fed having a role in terms of systemic supervision, and the importance of preserving the independence of the Fed going forward," he said.

Steve Bartlett, the president of the Financial Services Roundtable, said much of the meeting concerned the Fed "and the need to strengthen their role, not weaken it."

"We share with our colleagues a real alarm bell that some in Congress are trying to weaken the Federal Reserve, and think that would be bad for the economy and Main Street," Bartlett said.

Reg Refrom 90% Done; Consumer Issues Are Hurdle

Bank Investment Consultant
February 26, 2010
By: Stacy Kaper

WASHINGTON — The regulatory reform debate has now come full circle.

When the Obama administration first unveiled a reform plan last summer, one of the most controversial proposals was a drive to create a new consumer protection agency. As Senate Banking Committee leaders put the final touches on a deal on regulatory reform legislation, that issue continues to be the most problematic.

As reported in American Banker on Thursday, Senate Banking Committee Chairman Chris Dodd and Sen. Bob Corker, R-Tenn., have agreed on many key issues, including the creation of a powerful new banking regulator, the structure and powers of a systemic-risk council and a new bankruptcy process for bank holding companies.

But the details of exactly how consumer protection should be beefed up remain in flux and are the source of continuing debate between lawmakers, the Obama administration and the industry.

Sen. Richard Shelby, the Banking Committee's lead Republican, said he and Dodd are negotiating again after talks broke down two weeks ago, but said the consumer issue is the primary sticking point.

"We're talking again, which is good. ... We're trying to figure out a way to move forward," Shelby said.

"Conceptually I think Sen. Dodd and I probably agree on 90% of just about everything. We are just trying to work that out and of course one of the big stumbling blocks has been the consumer finance bureau."

Senators have long since abandoned a stand-alone agency for consumer protection, but are focused on a division that would be housed at the new banking regulator or the Treasury Department.

Some sources said the Dodd-Corker bill was likely to put the new division into the proposed Financial Institutions Regulatory Administration, but give it a presidentially appointed director. But that appeared to still be in play Thursday, with sources suggesting that the two lawmakers could also put the bureau into Treasury. But questions remain over how much authority the division should have.

"It's going to be a big battle," said Mark Calabria, a former top aide to Shelby and now the director of financial regulation studies at the Cato Institute. "You might be able to set up some kind of a compromise where it is like OTS or OCC where it is Treasury authority but arguably independent. ... But if you have this so it's under a career appointee in the chain, I think it's a nonstarter with Shelby and probably with Corker too."

The Obama administration, meanwhile, is less focused on where the new division is housed than what powers it should have. During a meeting with trade group representatives on Thursday, Treasury Secretary Tim Geithner made it clear that consumer protection is a top priority for President Obama.

His focus, according to participants, is on whether the consumer division would have independent rulemaking power and enforcement authority to oversee banks and nonbanks.

Ed Yingling, the president of the American Bankers Association, said details of the issue were not hashed out, but that Geithner "made a strong pitch" for a new consumer agency.

"He talked about the fact that it needed independent enforcement authority," Yingling said. "That was one of the things he stressed but we didn't get into a debate over it."

Industry representatives said the debate remains ongoing.

"We are going to have to do a lot of give and take," said Steve Bartlett, the president of the Financial Services Roundtable. "In our view there are several different structures" for a consumer division. "We are not frozen or stuck."

Geithner also warned that if the final bill was not strong enough, he would recommend that the president reject it.

Although multiple participants said the meeting was cordial, Geithner made it clear that even if reform efforts stalled, the issue would not go away.

"We intend to throw the full weight of the administration behind a strong bill because uncertainty leaves us all vulnerable," he said, according to participants. "But make no mistake, whether we get a bill now or later, we are going to keep fighting hard for financial reform — and we will never give up."

Geithner Held ‘Constructive’ Talks With Financial Trade Groups
Bloomberg BusinessWeek
February 25, 2010
By: Rebecca Christie

Feb. 25 (Bloomberg) -- Treasury Secretary Timothy F. Geithner said U.S. financial regulation needs an overhaul during a “constructive discussion” with eight executives from financial industry trade groups, department spokesman Andrew Williams said today.

“Secretary Geithner reiterated the administration’s determination to get strong financial reform done soon and done right,” Williams said in a statement. “He noted that passing a financial reform bill in the near term will create certainty for consumers, businesses and markets -- certainty that is essential to laying a firm foundation for sustainable economic growth.”

Groups represented at the meeting include the Securities Industry and Financial Markets Association, the American Bankers Association, the Financial Services Forum, the **Financial Services Roundtable**, the Managed Funds Association, the Independent Community Bankers of America, the Private Equity Council and the U.S. Chamber of Commerce.

Obama’s \$90 Billion Bank Fee May Be Revised By House Committee
Bloomberg BusinessWeek
February 24, 2010
By: Ryan Donmoyer

Feb. 24 (Bloomberg) -- House lawmakers may retool President Barack Obama's proposed \$90 billion fee on the 50 biggest financial firms, a spokesman for the House Ways and Means Committee said.

One idea under discussion would base the fee on income rather than assets as proposed by the president Jan. 14, said Matthew Beck, the committee spokesman.

“The committee expects to discuss a number of approaches to ensure American taxpayers are made whole for their extraordinary assistance to financial institutions in recent years,” Beck said in an e-mailed statement. “A levy based on income is one approach that will be part of this broad discussion.”

Obama proposed the fee last month, saying it is aimed at getting back “every single dime” that taxpayers put into bailed-out banks during the financial crisis.

The fee would apply to financial companies with assets of more than \$50 billion. It would be based on bank liabilities and imposed starting June 30 on companies such as New York-based Citigroup Inc., American International Group Inc. and Charlotte, North Carolina-based Bank of America Corp.

In addition to protesting the fee itself, banks, insurers, mutual funds and other financial-services companies have complained about how the proposal would be assessed, said Scott Talbott, senior vice president of government relations for the Financial Services Roundtable, a Washington-based lobbying group.

Obama proposed basing the fee based on liabilities minus deposits. Insurance companies in particular don't generally have deposits to subtract, Talbott said.

“It's less disproportionate” to assess the fee based on income, Talbott said. “It applies to all companies based on their success, rather than their structure.”

**Obama Pulls Back From Stand-Alone Consumer Financial Agency
Bloomberg BusinessWeek
February 26, 2010
By: Alison Vekshin and Julianna Goldman**

Feb. 26 (Bloomberg) -- The Obama administration has backed away from creating a stand-alone Consumer Financial Protection Agency in its overhaul of Wall Street regulations, bowing to mounting pressure from lawmakers and industry.

A White House official in a statement yesterday signaled a willingness to accept less than a separate agency. The statement outlined the powers legislation must provide for a consumer authority and dropped references to a separate agency to police banks for lending abuses.

“Our top priorities on CFPA are ensuring the bill includes independent appointment, an independent budget and an independent ability to set and enforce clear rules of the road to protect American families,” White House spokeswoman Jen Psaki said yesterday in an e-mail statement.

A compromise over the consumer agency, which President Barack Obama proposed in June in his financial overhaul plan, would remove the main sticking point in Senate negotiations on the measure. Financial services industry lobbyists have fought the proposal in meetings with lawmakers, saying they oppose

separating bank oversight from consumer protection. The Senate panel may release legislation next week that includes a watered-down version of the plan.

The administration indicated it's open to negotiating alternatives for a stand-alone consumer agency, including creating an independent unit within an existing department.

Treasury Secretary Timothy Geithner also opened the door to accepting something less than a separate consumer agency in a meeting with financial-industry trade groups yesterday.

Fed Powers

At the same meeting, Geithner said he wanted to preserve the Federal Reserve's power to oversee banks, Edward Yingling, the president of the Washington-based American Bankers Association who attended the Treasury session, said in a telephone interview.

"The industry representatives indicated they would be talking to Congress about that issue" to sway them to support the Fed, Yingling said.

The Senate committee is nearing a "consensus" to shift the Federal Reserve's oversight of smaller banks to the Federal Deposit Insurance Corp., said Senator Jack Reed, a Rhode Island Democrat. For supervision of large firms, there is a "real substantive question" about the Fed's role, as well as its position on a council of regulators that would monitor risks to the financial system, Reed said yesterday.

As the administration retreats on the consumer agency, it is pledging to send Congress legislative language for the "Volcker Rule," limiting banks' proprietary trading and barring their sponsorship of hedge funds and private-equity operations. The industry opposes the restrictions.

Volcker Commitment

"The administration is as committed to the Volcker Rule as we were the day the president announced because we should not allow banks to use the federal safety net to support risky activities that are unrelated to serving their customers," Psaki said in the statement.

Geithner wants any consumer entity to have enforcement and rule-writing powers, he told leaders of eight financial trade groups, including the Financial Services Roundtable and Private Equity Council, at the Treasury meeting.

“He signaled the need to have independent enforcement,” Yingling said. “He said that was something they would not back off on.”

Geithner told the group the administration would not support a bill it deemed too weak, Yingling said.

Senate Banking Committee Chairman Christopher Dodd and Senator Richard Shelby, the committee’s top Republican, broke off weeks of negotiations to craft a regulatory overhaul bill earlier this month when they couldn’t resolve differences over the consumer agency. Dodd supported Obama’s plan, while Shelby and other Republicans opposed a stand-alone agency. The House passed an overhaul bill in December that included the agency.

Dodd, Corker

Dodd, a Connecticut Democrat, then worked with Senator Bob Corker, a Tennessee Republican and member of the banking panel, to draw up a bipartisan agreement.

Republicans, including Shelby, suggest creating a consumer unit in the Treasury or as part of a new national bank regulator. That body, proposed by Obama, would combine the Office of the Comptroller of the Currency and Office of Thrift Supervision, two bank agencies now in the Treasury Department.

Dodd, Corker, and others “are working on” a proposal for an agency “that’s not independent but sets the rules and enforces,” Reed told reporters yesterday after a Senate Banking Committee hearing with Federal Reserve Chairman Ben S. Bernanke in Washington.

The administration’s willingness to compromise on a consumer agency is “recognition by the White House that the good ought not to be the enemy of the perfect,” said John Douglas, head of the bank regulatory practice at Davis Polk & Wardwell law firm in New York and a former FDIC general counsel. “If you can get a substantially beefed-up consumer protection function within the agencies, that’s a pretty good result.”

Banks Boost Lobbying Efforts

CNBC

February 16, 2010

Airtime: Tues. Feb. 16 2010 | 2:14 PM ET

Banks increased their lobbying budgets by 12 percent in 2009, with Scott Talbott, The Financial Services Roundtable and Brandon Rees, AFL-CIO.

To view the video click [here](#).

Administration Makes Push for Consumer Agency
New York Times
February 23, 2010
By Sewell Chan

The Obama administration continued its push on Tuesday for the creation of a Consumer Financial Protection Agency that could regulate mortgages, auto loans and credit cards. The agency has emerged as the main stumbling block in the Congressional debate over legislation to overhaul financial regulations.

Michael S. Barr, the assistant Treasury secretary for financial institutions, on Tuesday morning laid out the case for separating consumer oversight from existing supervision of banks and credit unions. On Monday, the Treasury Secretary Timothy F. Geithner and the White House press secretary, Robert Gibbs, called new consumer protections fundamental components of any regulatory overhaul.

The administration's push comes as the Democratic chairman and ranking Republican on the Senate Banking Committee are expected to unveil competing versions of the regulatory reform bill later this week. The White House has been urging the chairman, Christopher J. Dodd, Democrat of Connecticut, to include the consumer agency in his version. The House included the consumer agency in a regulatory overhaul that passed, on a largely party-line vote, in December.

Critics of the proposal argue that it would interfere with "prudential regulation," the rules set up to preserve the safety and soundness of financial institutions. Mr. Barr tried to allay those concerns.

"Our proposal will strengthen the banking system, not weaken it," he told the Credit Union National Association in a speech at the Washington Convention Center. "More transparent markets, markets where nonbanks are subject to oversight, markets with fewer unfair or deceptive practices — these are markets in which banks and credit unions will be stronger."

Industry groups — including the United States Chamber of Commerce, the American Bankers Association and the Financial Services Roundtable — have been fiercely lobbying against the consumer proposal.

In his remarks, Mr. Barr said the Bush administration had also endorsed the idea of separating “business conduct” regulation — protections for investors and consumers — from prudential regulation. “Safety-and-soundness regulators have their eyes trained on risks to banks, not risks to consumers,” Mr. Barr said.

He said the federal government spent at least 15 times more on consumer compliance and enforcement for banks and credit unions than for nonbank financial institutions, even though there are at least 5 times as many of the latter as of the former. A separate agency, he said, would help correct “misallocation of federal resources,” make consumer protection a priority and create “a level playing field for all providers.”

The bill’s greatest impact would be on the largest financial institutions. Under the House bill, Mr. Barr said, existing regulators would have the primary responsibility for consumer protection for 98 percent of banks and savings and loans and 99 percent of credit unions. (Those regulators include the Federal Reserve, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the Office of Thrift Supervision.)

Mr. Barr also said that a new agency would be required to share information with existing regulators and that the agencies would be required to coordinate their efforts. “The system we have proposed will be more likely to bring bank weaknesses to the attention of prudential regulators than a system in which consumer compliance supervision is subordinated to prudential supervision,” he said.

The United States Chamber of Commerce, which started a Web site, StoptheCFPA.com, says it supports clear and concise disclosures to consumers about the risks of financial products, as well as crackdowns on fraudulent and predatory practices. But the chamber argues that creating a “big, new, expensive government bureaucracy” would choke off credit to small businesses, limit consumer choices and lead to higher prices.

The proposal for a Consumer Financial Protection Agency was born out of a journal article that a Harvard law professor, Elizabeth Warren, wrote in 2007. The Obama administration embraced the proposal when it presented its regulatory proposal to Congress last June. Ms. Warren is now the chairwoman of the Congressional Oversight Panel for the Troubled Asset Relief Program, the 2008

bailout package that has been used to rescue financial institutions, automakers and other companies.

Supporters of the consumer agency have been outspent and are less organized than the opponents. Groups supporting the idea include the Consumer Federation of America and two fairly new coalitions, Americans for Financial Reform and Business for Shared Prosperity.

The debate over the consumer agency led to a breakdown in talks between Mr. Dodd and the ranking Republican on the Banking Committee, Richard C. Shelby of Alabama. The two men had been trying since last fall to forge a bipartisan agreement on a regulatory overhaul.

Another point of contention is the degree to which bank supervision should be consolidated, and whether the Federal Reserve should retain its power to oversee bank holding companies.

Other, less contentious elements under consideration include the creation of a council, led by the Treasury secretary, to detect systemic risk in the financial system; new regulations for the over-the-counter derivatives market and for credit rating agencies; reforms in corporate governance and executive pay; and a mechanism to dissolve any company deemed “too big to fail” before it can damage the economy and require another government bailout.

Traction for Banking Regulation

New York Times

February 25, 2010

By: Sewell Chan

WASHINGTON — The prospect of a financial regulatory overhaul’s passing Congress brightened on Thursday, as representatives of the banking industry left a meeting with the Treasury secretary saying that they had agreed on the need to get a bill through Congress this year.

Members of the Senate Banking Committee, which has wrestled for months over the legislation, said they believed an accord might be possible, though significant differences remained over the extent of new consumer protections, among other matters.

Richard C. Shelby of Alabama, the senior Republican on the panel, said that he and the committee’s Democratic chairman, Christopher J. Dodd of Connecticut, who met on Wednesday evening, “agree on probably 90 percent” of “just about everything” in the legislation.

In a meeting on Thursday at the Treasury, the secretary, Timothy F. Geithner, warned officials from eight industry associations that failure to enact the overhaul would destabilize markets and hamper the ability of the United States to contribute to international discussions over regulatory modernization, according to several participants.

“He spent a lot of time listening, but he opened it by saying that they were going to push hard to really get this bill done and get it done in the near term,” said Edward L. Yingling, president of the American Bankers Association.

He added, “Everybody in the room from the private sector indicated that their wish would be to get a bill done this year — and that they were in fact working to that end.”

A major point of agreement is the need for a new entity to detect systemic risks and prevent them from damaging the financial system. There is widespread support for a council of regulators, led by the Treasury secretary, to oversee that task, but the extent of its powers, and the role of the Fed within that council, remain uncertain.

The greatest area of disagreement has been the proposal for a stand-alone agency to combat abusive and deceptive mortgages, credit cards, payday loans and other consumer products. Much of the banking industry has opposed the idea.

The Obama administration this week reiterated its support for an agency with the power to make and enforce rules, but left open the possibility that it could be housed within an existing body.

According to a person briefed on the negotiations, Mr. Dodd has agreed to give way on a freestanding agency but has fought to create a regulatory entity that would have an independent chairman and budget, and oversight over nonbank financial institutions, like payday lenders.

Elizabeth Warren, the Harvard Law professor who first proposed the agency, said in an interview on Wednesday that the agency should stand alone. “I keep looking for the word independence,” she said.

Opponents say the agency would interfere with “prudential supervision,” the duty of federal regulators to ensure the “safety and soundness” of banks.

Members of the Banking Committee said they were divided on the question.

Existing regulators should take on consumer protection, “and it should be raised to the same level of visibility and responsibility as safety and soundness,” said Senator Judd Gregg, Republican of New Hampshire.

Senator Sherrod Brown, Democrat of Ohio, said “the fundamental thing is that the language be strong enough,” and that if the agency does not stand alone, “we can still do it right, mostly.”

Another area in which the Obama administration has faced opposition is the so-called Volcker rule, a proposal to ban banks from owning hedge funds and private equity funds and from risking their own money making market bets — a practice known as proprietary trading.

Some officials have said that the objective of the proposal — named for Paul A. Volcker, a former Federal Reserve chairman — could be achieved under a provision in the House overhaul adopted in December. That provision would let regulators ban speculative trading by banks if it is deemed too risky.

A White House spokeswoman, Jennifer Psaki, said on Thursday that the administration was committed to the rule.

But the current Fed chairman, Ben S. Bernanke, expressed skepticism on Thursday about the feasibility of the proposal.

“If you go about imposing the Volcker rule, I think it would be difficult to do it on a purely legislative basis, because of the potential for having unintended consequences,” Mr. Bernanke told the banking committee at a hearing. “So while on the one hand, you may want to restrict purely proprietary trading, you want to distinguish that from appropriate hedging behavior.”

Banks that benefit from the government safety net can be prevented from taking excessive risks through several measures, including increased capital requirements, restrictions on executive pay and controls on risk, Mr. Bernanke said. He said that regulators arguably already had the authority to crack down on speculative trading, “but if Congress wanted to reinforce that, it couldn’t hurt.”

Mr. Bernanke has his own worries; several senators have called for stripping the Fed’s bank supervision powers as part of the regulatory overhaul.

The industry representatives who met with Mr. Geithner opposed that idea. “There was widespread agreement on the need to strengthen the Fed, not weaken it,” said Steve Bartlett, president of the Financial Services Roundtable.

Senators said that several areas remained under active discussion, among them whether to create a large exemption from new rules that would subject over-the-counter derivatives to more transparent trading and how to dissolve a large company before it became “too big to fail,” so that a government bailout was not needed.

Do We Need a Consumer Protection Agency?

PBS NewsHour with Jim Lehr

February 19, 2010

As the Senate continues to debate financial reform, the issue of whether to create an independent consumer protection agency has become a key point of contention. In a special roundtable, experts weigh in on whether a new agency should be created.

Steve Bartlett

President and CEO of the Financial Services Roundtable, a trade organization representing 100 of the country's largest banking, insurance and securities companies

“It's no secret that we need regulatory reform and we need it now. Let's be frank: The current system failed us. When something breaks down in our economy, it is our collective responsibility to fix it. Consumer protection is a key ingredient of this regulatory reform. Strengthening consumer protection within the existing regulatory agencies is the most effective way to accomplish the goals we all share of protecting consumers and re-energizing the American economy.

Regulatory agencies were not built overnight. Strongholds like the SEC, FDIC, OCC and the Federal Reserve took years to implement and refine. They are pillars of the economy, and overall, they do their jobs very well. Strengthening the consumer-protection mandate of these agencies is the best and most effective way to strengthen consumer protection. A newly created, separate government agency is the wrong approach. Separating consumer protection from prudential regulation for safety and soundness would split regulation of the product from regulation of the institution itself. The fate of the consumer and financial institution are inextricably linked. Their regulation should be as well.

All consumer protection rules issued by these prudential regulators should be uniform and standard across the country. Lack of uniformity will lead to a

reduction in the availability of products, an increase in the prices, and confusion among consumers. The economy needs strong uniform national standards to protect consumers and help keep American competitive in the global marketplace. We seek equal protection of the laws from Boise to Birmingham and every place in between.

The American consumer needs effective and strong consumer protection now. Modernizing existing tools is the most effective way to strengthen consumer protection.”

Click [here](#) to read all compilations from contributors to this article.

**Yodlee Contributes to Financial Security Industry Standard
PR Newswire
February 18, 2010**

Yodlee, Inc., the leading provider of personal financial management (PFM) and integrated payments solutions, announced that it was recognized as a Subject Matter Expert for contributing to the development of the Application Security elements of the **BITS** Shared Assessments Agreed Upon Procedures (AUP) version 5.0. The Shared Assessments Program's AUP now offers procedures for financial application security assessment, specifications on cloud computing and widgets.

The Shared Assessments Program's goals are to streamline and standardize the service provider evaluation process, introducing speed, efficiencies and cost savings. As a member of the Shared Assessments Program and Technical Development Committee, Yodlee contributed its expertise to the development of new procedures with an eye to computing services offered "in the cloud." The AUP procedures provide a rigorous toolkit for service provider audits that can be used in popular cloud computing and software-as-a-service (SaaS) environments. Provisions relevant to cloud and SaaS environments have also been inserted into several sections of the Shared Assessments questionnaire, known as the "SIG."

"At Yodlee, we are opening our platform to software developers so that they can write applications that enable people to manage their finances practically," said Peter Hazlehurst, Senior Vice President of Products at Yodlee. "We are thrilled to learn the Shared Assessments standards provide a best practice (or benchmark) for evaluating controls around cloud computing and widgets. It is Yodlee's mission to always stay at the forefront of security needs."

Catherine A. Allen, Chairman and CEO of The Santa Fe Group, stated, "Yodlee and its fellow Technical Development Committee members have helped raised the bar for the industry with new Shared Assessments standards that addresses application security, cloud computing and SaaS environments." The Santa Fe Group is a strategic consultancy that manages the Shared Assessments Program.

To ensure the integrity and protection of consumer data, Yodlee is also in the process of implementing its certification programs for all developers interested in working with Yodlee's FinApp Store, coming in 2010. For every widget developed, Yodlee will use the enhanced Shared Assessments AUP 5.0 as an initial security audit.

To learn more about Yodlee's security practices and involvement with Shared Assessments, visit yodlee.com.

About Yodlee

Leading financial institutions and portals trust Yodlee to power critical online banking applications that increase profitability and drive more value from the online channel. Yodlee's proven personal financial management, payments, and customer acquisition solutions unify all personal financial account information to deliver a simple, centralized and secure way for consumers to manage all of their financial tasks anytime, anywhere. Yodlee makes financial institutions' Web sites essential to their customers and generates new deposit and revenue opportunities. Yodlee's patented data, payments and risk management utility supports more than 11,000 account sources and over 100,000 different account types. More than 100 leading financial institutions and portals offer Yodlee-powered solutions to millions of customers worldwide. Yodlee is headquartered in Redwood City, California. For more information, visit www.yodlee.com.

About **BITS** and Shared Assessments

BITS (www.bits.org) was created in 1996 to foster the growth and development of electronic financial services and for the benefit of financial institutions and their customers. A division of The Financial Services Roundtable (www.fsround.org), BITS provides intellectual capital and addresses emerging issues where financial services, technology and commerce intersect, acting quickly to address problems and galvanize the industry.

The Shared Assessments Program (www.sharedassessments.org) was created by leading financial institutions, the Big 4 accounting firms, and key service providers to inject standardization, consistency, speed, efficiency and cost savings into the service provider assessment process. Today, nearly 60 major outsourcers,

service providers, assessment firms and licensees participate in Shared Assessments. Designed to help outsourcers carefully evaluate the security of the systems, processes and controls their service providers have in place, the Shared Assessments Program offers a faster, more efficient and less costly means of conducting control assessments. The Shared Assessments is managed by The Santa Fe Group (www.santa-fe-group.com).

Fiscal reform effort may pay off

Politico

February 26, 2010

By: Victoria McGrane

Washington's eyes may have been trained on the high-stakes health care summit this week, but the Obama administration has been doing some multitasking.

Senate negotiators are close to striking a bipartisan deal on financial reform legislation, a bill that could well be President Barack Obama's biggest policy victory before the midterm elections if health care talks continue to flounder. Administration officials have been doing what they can to make sure a deal happens — and that it's a deal the White House can live with.

The latest effort came Thursday as the health care summit entered its second hour. Aiming to create urgency for the financial reform bill among industry players, Treasury Secretary Timothy Geithner met with the heads of eight financial industry trade associations, including the American Bankers Association, the **Financial Services Roundtable**, the Financial Services Forum, the Securities Industry and Financial Markets Association and the U.S. Chamber of Commerce. Michael Barr, assistant treasury secretary for financial institutions, also attended.

The hour-plus meeting was described as “thoughtful,” and Geithner, who's known to curse when feelings run high, kept his language clean, joked one meeting participant.

“It was much different than I expected. I was halfway expecting that we were all going to get a lecture. But it was collegial,” said another person in the meeting.

Treasury and industry officials agreed that a bill needs to get done, according to a source familiar with the meeting.

A summary of Geithner's message, according to the participant: “I know we don't agree on everything, but we agree on the broad outlines, and let's get it done this

year from the standpoint of certainty for the markets, confidence in the financial sector ... and let's try to work together.”

But there were tensions. While industry representatives stressed the need for a bipartisan bill, Geithner emphasized a desire for a good bill, the source said. Some participants viewed the subtle difference in messaging as a possible veto threat should the bill being negotiated by Banking Committee Chairman Chris Dodd and Republican Sen. Bob Corker of Tennessee prove unsatisfactory.

The possibility of a veto seems the furthest thing from Dodd's mind. Asked Monday whether the White House has accepted that he'll need to make concessions to get bipartisan support on issues such as the consumer financial protection agency, Dodd said: 'I talk with them periodically, but I'm not going to worry about — with all due respect, I have great affection for them, but I've got to get a bill out of here. They don't have a vote up here yet.’”

With a deal getting close, Geithner met with Dodd and Corker on Wednesday night in Dodd's Russell office to go over the legislation. Treasury has seen “chunks” of the working draft but was eager for more details, a senior administration official said. The trio discussed the controversial CFPA — on which Dodd and Corker have not reached agreement. “For us, the key is how it's set up, who heads it and whether enforcement is paired with rule-making,” the senior administration official said. Geithner also pressed for the Federal Reserve to be given oversight of the biggest and most complex firms.

Dodd and Corker are expected to unveil their bill next week, with staff planning to hammer out the final details this weekend. And there are signs that Alabama Sen. Richard Shelby, the top Republican on the Banking Committee, is edging toward support of Dodd's efforts. Dodd and Shelby reached an impasse several weeks ago, but their staffs kept talking and the two senators met Wednesday. Corker also met with Shelby twice on Wednesday.

“I think things are beginning to percolate in a very, very good way,” Corker said on CNBC Thursday.

Community bankers dealt a serious blow to another White House priority: the “financial crisis responsibility fee” that aims to recoup \$90 billion in taxpayer losses from the bailout.

The Independent Community Bankers of America sent a letter to House and Senate tax writers Thursday expressing “deep and growing concern and opposition” to the bank fee or a tax specific to the financial industry. Democrats

on the House Ways and Means Committee have started to consider how they want to structure a similar proposal.

BancorpSouth Chairman & CEO Aubrey Patterson Named to Board of The Financial Services Roundtable
PR Newswire
February 23, 2010

Aubrey Patterson, Chairman and Chief Executive Officer of BancorpSouth (NYSE: BXS), a \$13.2 billion-asset financial holding company headquartered in Tupelo, Mississippi, has been named to the Board of Directors of The Financial Services Roundtable. Patterson joins ten other banking executives from throughout the nation named to the board.

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 Roundtable's CEO Steve Bartlett and other senior executives nominated by him.

Headquartered in Washington, D.C., The Financial Services Roundtable aims to be the premier executive forum for leaders of the financial services industry. It provides legislative and regulatory advocacy, enhances the industry's public reputation and promotes best practices and a strong infrastructure in technology.

Roundtable member companies provide fuel for America's economic engine, accounting directly for \$84.7 trillion in managed assets, \$948 billion in revenue, and 2.3 million jobs.

Others joining the board with Patterson include: John J. Degnan, The Chubb Corporation; Mark Fetting, Legg Mason, Inc.; Laurence D. Fink, BlackRock, Inc.; Edmund F. Kelly, Liberty Mutual Group; Kelly S. King, BB&T Corporation; James E. Rohr, PNC Financial Service Group, Inc.; J. Michael Shepherd, BancWest Corporation; Frederick H. Waddell, Northern Trust Corporation; Thomas J. Wilson, Allstate Corporation; and Larry Zimpleman, the Principal Financial Group.

Patterson's 36 year career with the BancorpSouth includes service as President and Chief Operating Officer from 1983 to 1990, and as Chairman and Chief Executive Officer from 1990 to the present.

Patterson is a graduate of the University of Mississippi and holds a Masters Degree from Michigan State University. He has completed the Graduate School of Banking at the University of Wisconsin and is a member of several professional organizations, including Beta Gamma Sigma and Beta Alpha Psi honoraries.

He is a decorated veteran of the United States Air Force, having received the National Defense Service Medal, the Air Force Commendation Medal, and the Department of Defense Meritorious Service Medal. He has served as President of the Mississippi Bankers Association and as Chairman of the American Bankers Association. He has served as Chairman of the Board of Directors of numerous local and regional organizations, including the Tupelo Community Development Foundation, North Mississippi Health Services, the Mississippi Economic Council, Mississippi's Partnership for Economic Development, the University of Mississippi Foundation, CREATE, Inc., among others.

BancorpSouth is a \$13.2 billion-asset financial holding company. The company operates approximately 314 banking and mortgage locations in Alabama, Arkansas, Florida, Louisiana, Mississippi, Missouri, Tennessee and Texas. In addition to providing traditional banking services, credit cards, mortgages, trust and fiduciary services, the company provides investment services through its subsidiary BancorpSouth Investment Services, Inc. and insurance services through its subsidiary BancorpSouth Insurance Services, Inc. BancorpSouth's common stock is traded on the New York Stock Exchange under the trading symbol BXS.

Giant push is on in Washington to create a nation of savers

RIABiz

February 22, 2010

By: Sara Hansard

A push to get lower income people to save through automatic savings programs could also benefit investment advisers as financial organizations push for more automatic savings features in mutual funds, 401ks and annuities.

In the coming year the Financial Services Roundtable, the Consumer Federation of America and the Employee Benefit Research Institute will be encouraging banks to adopt “best practices” for automatic savings programs, including free automatic transfers from checking to savings accounts, lower account minimums for automatic savers, and financial incentives for customers who sign up for automatic savings programs.

The program is primarily aimed at getting low- and moderate-income households to set up savings accounts. Only 58% of households with incomes below about \$54,000 currently have savings accounts.

But the groups also will be pushing financial advisory firms, mutual funds and other financial service firms to enhance and promote automatic programs for more long-term investments.

“We’re going to go one step further,” said Steve Bartlett, president of the Roundtable, who spoke at a press conference in Washington Thursday at which the automatic savings program was announced. “We’re going to introduce these same concepts to companies that are not banks in the area of mutual funds and 529’s and 401k’s and annuities and life insurance, and find ways to use these same automatic savings practices to encourage automatic savings in other savings and investment vehicles,” said the former Dallas mayor and Congressman from Texas.

The Roundtable’s 100 members account for about 70% of consumer financing in the U.S. The Roundtable plans to work with its retail bank members to get them to adopt the best practices that have been identified to encourage savings, and it will work with member companies such as Fidelity Investments, Raymond James Financial Inc. and Edward Jones to develop similar features for automatic transfers in their accounts, Bartlett said.

Incentives

Most financial companies have automatic transfer systems, but they don’t promote them or offer incentives to people to use them, Bartlett said. “If we can move the needle and get our hundred companies into the automatic transfer [system], it will change the economy of this country in a profound way in a few short years.”

“We’ve long advocated auto features in 401k plans,” said Fidelity spokeswoman Jenny Engle, contacted separately. Fidelity offers customers the ability to automatically contribute to 401ks from workplace savings plans and in IRAs, “in any way people want to contribute to retirement savings accounts,” she said.

The economic meltdown that started in 2007 has “fundamentally changed the landscape and the outlook for people in savings and retirement,” said Ron O’Hanley, president and chief executive officer of BNY Mellon Asset Management, who spoke at the press conference.

37% savings shortfall

With 4 million Baby Boomers looking to retire every year starting in 2011, most do not have enough to retire, nor do younger people coming behind them, he said. The typical American household needs \$52,000 a year to sustain itself in retirement. The average American family is 37% away from the goal of having enough savings to support that, O’Hanley said.

“Maybe in the past the kinds of products that have been offered to consumers either haven’t been understood or just haven’t worked as well,” O’Hanley said. One part of the solution is making a range of automatic products available to consumers that are easy to use and have incentives, he said.

But in addition to offering simplified products, promotion is key, O’Hanley said. “Once you set up something you tend not to reverse yourself on it.” He pointed to research showing that 85% of people who automatically enroll in 401k plans keep their deductions going, regardless of income.

Banks will benefit from promoting automatic savings programs to all customers, said Stephen Brobeck, executive director of the Consumer Federation of America. There is a chance for synergy in marketing different types of products with the common theme of automatic savings. “There will be people who are 45 and are prepared to save \$1,000 a month,” he said.

Almost all Americans

Indeed, “Almost all Americans...at every stage of their life, in every region, and at every income level, need to save more,” said Stephen Potter, president of Northern Trust Global Investments, which deals with about half of the top 200 pension funds in the U.S., managing more than \$32 billion in defined contribution assets.

The groups’ plans are another step towards more automatic savings plans. The Pension Protection Act of 2006 allowed employers to automatically enroll employees in 401k plans unless the worker chose not to be, and President Obama has included in his fiscal 2011 budget a proposal requiring small businesses to set up “automatic IRAs.” Under that proposal, approximately 75 million Americans who do not have access to workplace retirement plans would be automatically enrolled in Individual Retirement Accounts unless they specifically chose not to be.

Geithner to meet with industry reps

The Hill

February 23, 2010

Treasury Secretary Timothy Geithner is set to meet on Thursday with several of the biggest financial trade associations as the Senate prepares to debate new regulations.

Geithner is scheduled to meet with the American Bankers Association (ABA), Financial Services Roundtable, Financial Services Forum, Independent Community Bankers of America (ICBA), Securities Industry & Financial Markets Association (SIFMA) and U.S Chamber of Commerce.

Senate Banking Committee Chairman Chris Dodd (D-Conn.) this week is set to unveil legislation aimed at curbing excessive risks in the system and preventing future taxpayer-funded bailouts of financial firms.

The House passed wide-ranging legislation in December, but action in the Senate has been bogged down for a great deal of the last year. Dodd had introduced legislation late last year, but it stalled immediately. Dodd has been working with Sen. Bob Corker (R-Tenn.) to craft bipartisan legislation.

Meanwhile, Sen. Richard Shelby (Ala.), the top Republican on the Banking panel, has been drafting an alternate bill.

**Banks step up reform opposition
United Press International
February 15, 2010**

NEW YORK, Feb. 15 (UPI) -- Some of the largest banks in the United States are ratcheting up spending on lobbying intended to defeat proposed regulatory reform in Congress, records show.

Citing data contained in disclosure forms filed with Congress, the Los Angeles Times reported Monday lobbying expenditures rose 12 percent from 2008 to 2009 -- with eight banks and private equity firms reporting they spent \$29.8 million last year on lobbying.

JPMorgan Chase & Co. spent \$6.2 million -- an increase of 12 percent from 2008. Wells Fargo & Co. increased spending on lobbying by 27 percent and Morgan Stanley spent 16 percent more, the Times said.

Scott Talbott, a lobbyist for the Financial Services Roundtable -- which lobbies on behalf of about 100 large financial firms -- told the Times lobbying will become more intense in 2010, as Congress considers proposals by

President Barack Obama to impose a new tax on big banks, limit their size and restrict their investment in private equity funds and hedge funds.

"This is a watershed moment," Talbott said "The industry will be changed forever after this year."

Ed Mierzwinski, a lobbyist for the U.S. Public Interest Research Group, said in years of working on bank issues, he had "never seen such a scrum of bank lobbyists as I have in the last year."

"It seems like everybody is out of work except for bank lobbyists," Mierzwinski said.

Our view on banking practices: As new credit law begins, issuers up to old tricks

USAToday

February 22, 2010

Starting today, a slew of credit card abuses that should have been banned years ago will finally be prohibited by federal law.

No longer will banks be able to raise rates on existing balances "at any time, for any reason." Or impose sky-high interest rates because a customer is an hour late paying. Or slap a penalty rate on a good customer because he pays some other unrelated bill late.

That's progress. But don't whip out your plastic with abandon just yet. As fast as you can say "consumer protection," some issuers have already devised new traps for unwary credit card holders. Consumer advocacy organizations have identified some of the most egregious new tricks.

For instance, banks have long pegged their rates to changes in the "prime rate," the most basic bank lending rate. But now, a growing number of card issuers have made an obscure change in the fine print: They'll pick the maximum rate over the past 90 days, a practice that could cost consumers \$720 million a year, according to the Center for Responsible Lending, a North Carolina non-profit group. Some other banks have simply set a floor on the variable rate, so no matter how the index moves, a customer's rate can only go in one direction — up.

Another change involves notifying a customer of a rate increase to, say, 29.99%, then promising to "offset the increase" with a huge interest rate rebate. Why raise a rate just to give the money back? Because some banks have figured out an angle:

The 29.99% becomes the card holder's actual rate and the issuer can simply yank the rebate for any petty infraction, even if otherwise prohibited by the new law. Most consumers would never know what hit them.

Last fall, even before the Federal Reserve could issue regulations based on the new law, consumer advocates urged action to prevent the industry from using such tactics to skirt the law's intent. The Fed, which for decades sat idly by while some banks picked consumers clean, slapped down two of the industry's most egregious new tactics, but it largely left the banks free to game the system.

Not all banks are so intent on abusing their customers. But for the ones that are, slow-footed regulators and Congress, which moves like a glacier, are no match.

That's why a federal agency dedicated to looking out for consumers' interest over a wide array of financial products — from credit cards to mortgages to "pay-day loans" — is needed. President Obama and several prominent lawmakers are pushing to create just such an agency, and, not surprisingly, the banking lobby is intent on killing it.

The industry's chief argument — that a gaggle of federal overseers already does this work — is reason to create the agency, then streamline, not to keep a status quo that only a banker could love. The job now is splintered among a half-dozen agencies, all of which tend to treat consumer protection as a stepchild. The best evidence of their failure is how many years abusive credit card practices continued.

The new credit card law offers consumers some respite. But without a protector, those gains could start to dissipate after a few billing cycles.

Opposing view: Strike the right balance

Key is to protect consumers without limiting their financial options

USA Today

February 22, 2010

By Steve Bartlett

In the wake of the financial crisis, one of our biggest responsibilities as a society is to put in place common sense reforms that will help protect consumers and safeguard the economy from future meltdowns. The CARD Act is an important step in this process.

Credit cards are incredibly convenient, but over the years we bankers made them unnecessarily complex with too many fees and too much fine print. The new

CARD Act represents a good start in instituting some much needed pro-consumer reforms. There's no reason that credit cards rules cannot be simple, straightforward and fair.

The new requirements will do just that by requiring card issuers to:

Disclose how long it will take consumers to pay off their balance if they pay only the minimum. The goal is to demonstrate to consumers the benefit of paying more than the minimum to help them keep their debt under control.

Apply consumer payments to the highest interest balance first, which helps pay off debt faster.

Never change payment due dates.

Never penalize consumers for the payment option they choose, whether by check, telephone, or online.

Give consumers the choice of whether or not they want to pay a fee for charging over their limit.

Raise the standards for issuing cards to people under 21 and stop soliciting on college campuses.

These are all positive measures that will strengthen the relationship between customers and their financial providers, but like most new laws, there's always room for improvement. We need to make sure these reforms don't punish good behavior by forcing responsible credit card users to subsidize those who abuse cards by consistently paying late or exceeding their charge limits.

By the same token, we don't want to add in so many onerous government regulations that responsible customers won't have access to the credit they need when a financial emergency strikes, like a leaky roof or transmission blowout on the way to work.

The key to effective reform is to make sure that we strike the right balance between protecting consumers without unfairly limiting their choices in the financial marketplace.

Steve Bartlett is president and CEO of the Financial Services Roundtable, which represents major financial institutions.

Plan to boost tax on 'carried interest' stalls in Senate
Washington Post
February 20, 2010
By Dina ElBoghdady

Even as populist anger at Wall Street has reached a crescendo this winter, the Obama administration's drive to eliminate what critics call a lucrative tax break for wealthy financiers has stalled in Congress.

As part of his budget, President Obama offered a proposal last month to significantly increase the levy paid by managers of private-equity firms and other investment partnerships. And Treasury Secretary Timothy F. Geithner told a Senate panel this month that the administration is committed to this tax policy change, which could more than double the tax rate on income known as "carried interest" or "carry."

Yet, the initiative has lost momentum in the Senate, much as it did nearly three years earlier when this tax break first riveted the attention of lawmakers because of the sudden and astounding rise in wealth of hedge funds and private-equity firms. Summing up the widespread outrage over this tax break, billionaire investor Warren E. Buffett said at the time that it was wrong for him to pay taxes at a lower rate than did his \$60,000-a-year secretary.

The controversy over carried interest soon faded amid the global financial crisis, which battered the profitability of many investment firms. Over recent months, however, the prospects for a change in the tax code had improved as much of the public turned against Wall Street.

The House passed a bill in December that would treat the profits received by partners at private-equity companies and some other firms as ordinary income and tax it at rates as high as 35 percent. Now this income is taxed at the much lower capital-gains rate of 15 percent. The House proposal, introduced by Rep. Sander M. Levin (D-Mich.), would affect partners at private-equity firms, hedge funds, venture-capital firms and real estate investment partnerships.

At issue is how to classify the profits partners receive when their firms sell a long-held asset -- anything from a piece of real estate to a stake in a small start-up to a portfolio of securities. These partners often receive 20 percent of the total profit of the fund.

Testifying three years ago about how much some financiers make from carried interest, Peter Orszag -- who was head of the Congressional Budget Office at the time and is now Obama's budget director -- offered an example: If a fund with \$1

billion in assets made a 15 percent profit in a year, a partner could pocket \$30 million.

In theory, the capital-gains tax is set at a lower rate than the regular income-tax rate in an effort to encourage people to invest. If an investment makes money, that gain is taxed at a lower rate than if it were a regular salary or interest.

Many economists argue that the partners in these firms should not be treated as investors for tax purposes if they put little or none of their own money into the assets they buy. So the gains should be taxed as ordinary income since partners are essentially providing a service by managing money raised from others, according to critics of the carried interest tax break.

But the Senate has not taken up the issue. Senate Majority Leader Harry M. Reid (D-Nev.) opted last week not to include the carried interest language in a jobs creation bill expected to reach the Senate floor next week. Earlier, there had been discussion among lawmakers about whether to include this tax provision to help offset costs of other spending in a previous version of the legislation.

Senate Finance Committee Chairman Max Baucus (D-Mont.) prefers to deal with the issue in a broader tax-reform measure, his spokesman said.

"There is very little appetite for this tax in the Senate right now," said Scott Talbott, senior vice president of government affairs at the Financial Services Roundtable. "It's rarely a good idea to raise taxes, but especially not during these tough economic times."

Lobbyists who track the issue say the proposal is now dormant. But even those who oppose the tax hike say it is ultimately bound to pass as Congress comes under more pressure to reduce the deficit and raise revenues.

At a Senate hearing this month, Sen. Sheldon Whitehouse (D-R.I.) described the favorable tax treatment as a loophole that allows the nation's wealthiest individuals to get away with paying less than their fair share of taxes.

"To me that is just something that is very, very wrong with America," he said.

But groups lobbying to retain the tax break say it is legally sound and getting rid of it would undermine the entrepreneurial spirit.

"For decades, Americans have formed investment partnerships that give ownership stakes to those who contribute capital and those who contribute their vision and expertise," said Douglas Lowenstein, president of the Private Equity

Council. "Private-equity partners contribute both. If the result is making a business more valuable, they are entitled to a capital gain."

The most vocal opposition to the tax increase comes from real estate investment partnerships, which make up nearly half of the nation's 3 million investment partnerships. NAIOP, an association that represents commercial real estate developers, urged its 16,500 members to lobby against the initiative.

The Institute of Real Estate Management, an association of 18,000 property managers, launched its own lobbying effort alongside the National Association of Realtors and one of its commercial real estate affiliates.

The real estate industry, because of its size and presence in almost every congressional district, wields considerable political clout.

These groups say that raising the taxes that partners pay would discourage investment in real estate at a time when the economy needs it most.

"One of the incentives of investing in real estate is the capital-gains treatment," said Chuck Achilles, vice president of legislation and research at IREM. "Without that incentive, the partners who put these real estate deals together may move on to areas of investment that can provide better returns for them or better tax advantages."

Wall Street shifting political contributions to Republicans

The Washington Post

February 24, 2010

By Dan Eggen and Tomoeh Murakami Tse

Commercial banks and high-flying investment firms have shifted their political contributions toward Republicans in recent months amid harsh rhetoric from Democrats about fat bank profits, generous bonuses and stingy lending policies on Wall Street.

The wealthy securities and investment industry, for example, went from giving 2 to 1 to Democrats at the start of 2009 to providing almost half of its donations to Republicans by the end of the year, according to new data compiled for The Washington Post by the Center for Responsive Politics.

Commercial banks and their employees also returned to their traditional tilt in favor of the GOP after a brief dalliance with Democrats, giving nearly twice as much to Republicans during the last three months of 2009, the data show. At the

same time, total political donations by the major banks and investment houses alike dropped in the waning months of that year.

The nascent shift came even before the White House announced proposals for a new tax on banks and a curb on some of their riskiest trading activities.

The proposals, offered last month, particularly alarmed Wall Street and have triggered renewed industry efforts to work with Democrats as well as Republicans on regulatory reform legislation that the bankers can live with, according to industry and government officials. Wall Street executives would prefer to engage with Democratic leaders now rather than face prolonged uncertainty about the rules to govern the industry, the sources said.

The new campaign contributions data underscore the political quandary facing Democrats, who want Wall Street donations to help fend off a GOP resurgence in congressional elections this fall but hope to distance themselves from an industry vilified by the public as greedy and ungrateful. President Obama has sought to strike a balance, calling outsize Wall Street bonuses "shameful" and "obscene" while also assuring business executives that he does not "begrudge people success or wealth."

Republicans, meanwhile, are soliciting Wall Street for donations with the argument that Democratic proposals would hurt the bottom lines of major financial institutions. House Minority Leader John A. Boehner (R-Ohio) told reporters this month that he was urging Wall Street executives to "help our team" oppose the "bizarre policies" coming out of the Obama administration.

One senior Republican staff member on Capitol Hill, who discussed contributions on the condition of anonymity, said: "Democrats in Washington are clearly trying to move legislation that would be very damaging to that industry. It was almost like there was a free ride time. But now they're starting to see the real negative impact of Democratic proposals."

Obama had unusually strong backing from Wall Street for a Democratic presidential candidate. He raised more than \$18 million from bank and brokerage employees, for example, compared with rival John McCain's \$10 million. (Obama did not accept money from PACs.) Prominent among Obama's bundlers -- individuals who raised at least \$50,000 -- were private equity executives and hedge fund titans, including billionaire Kenneth C. Griffin of Citadel Investment Group, who had previously backed Republicans.

But Obama soon encountered stiff opposition from the financial industry -- and some fellow Democrats -- over proposals to curb executive pay, tighten rules on

financial derivatives and create an agency to protect consumers of mortgages, credit cards and other financial products. Financial executives have also bristled at the president's increasingly populist tone over the past year, including his quip in December that he did not run for office to help "fat-cat bankers on Wall Street."

The industry has responded with its own change in attitude, according to contribution data and interviews. For some prominent executives, the final straw came in January, when Obama proposed a fee on big banks to recoup losses from the government's \$700 billion program to bail out financial firms. When the president followed up a few days later with another plan to restrict the growth of large banks, some on Wall Street said they regretted their earlier support. "I'm not voting for him again," one said.

Still, others said they would not switch alliances just yet. "I understand people are not happy about this. Wall Street did pour a lot of money into the campaign, some of which I solicited," said one Wall Street executive and Democratic bundler, who spoke on the condition of anonymity because of the sensitivity of the topic. "Having said that, we're kind of responsible for a lot of what went down."

One Democratic-leaning firm that has signaled particular displeasure with the administration's direction is J.P. Morgan Chase, which is headed by Obama supporter James Dimon and features several other prominent Democrats in its upper ranks. The bank and its employees, who doled out nearly \$500,000 in federal contributions last year, went from giving 76 percent of the money to Democrats in the first quarter to giving 73 percent to Republicans in the fourth.

In a pointed break with recent practice, the company's political action committee also contributed \$30,000 to GOP congressional campaign committees in 2009 while giving nothing to their Democratic equivalents. According to one source familiar with its donation strategy, the bank did not want to offer blanket support for the Democratic committees, which could then use the money to support anti-Wall Street hopefuls.

Yet the bank and its executives are still ready to support specific Democratic candidates considered friendly to the financial sector. Last Wednesday, Jes Staley, the head of J.P. Morgan's investment bank, held a 50-person fundraiser at his home for Sen. Kirsten Gillibrand (N.Y.), who is trying to fend off a primary challenge by Harold E. Ford Jr., a former congressman who holds a senior position at Bank of America's investment bank. Ford has his own support in the financial sector.

The move toward the GOP is most evident among commercial banks, a buttoned-down sector that has historically favored Republicans to a greater degree than their swashbuckling counterparts in the investment banks. Bank of America, Citigroup and Wells Fargo all favored the GOP in combined individual and PAC contributions last year, according to the quarterly data compiled by CRP.

But analysts note that Democrats still came out ahead in gathering money from Wall Street in 2009 and said it is too early to tell whether the move toward the Republicans will continue. Many Democrats also declined contributions last year from banks that received federal bailout money, possibly accounting for some of the shift.

"There could be some changes at the margins," said Scott E. Talbott, chief lobbyist with the Financial Services Roundtable, which represents the largest financial institutions. The anger toward Washington, he added, "doesn't always translate to changes in political giving. The environment changes quickly and constantly. No one issue drives political donations."

Steve Hildebrand, a Democratic strategist who served as Obama's deputy national campaign director, argues that the party needs to swear off Wall Street money altogether.

"I think Democrats ought to be leaders in renouncing all money from special-interest groups, whether it's banks or trial lawyers or unions," he said. "But let's not kid ourselves; they're all doing it. Democrats are still fighting for the same money as Republicans. They're just not crowing about it."

Democrats in Washington have seized on GOP fundraising efforts in an attempt to link the party to unpopular Wall Street financiers. "Republicans have sent a clear message to the American people that Wall Street matters more than middle-class families and small businesses that are hurting on Main Street," Rep. Chris Van Hollen (D-Md.) said in a recent statement.

One GOP strategist said the party expects to face attacks on the issue no matter what. "We'd rather have the whacks and the money than the whacks and no money," he said.

Geithner Calls Meeting on Banking Rules as Action Heats Up
Wall Street Journal
February 22, 2010
By Damian Paletta

A lot of action is expected this week in the Senate – and in the Obama administration – over the White House’s push for new financial rules. Senate Banking Committee Chairman Christopher Dodd (D., Conn.) told reporters Monday he hopes to bring a bill to his committee in a matter of “days.”

Here’s an update of news on the financial overhaul:

1) Treasury Secretary Timothy Geithner on Thursday has called a meeting with some of the country’s top business and financial trade groups – including the U.S. Chamber of Commerce, the American Bankers Association, the Independent Community Bankers of America, the Financial Services Roundtable, and the Securities Industry and Financial Markets Association. The meeting is supposed to focus a lot on the financial overhaul plan.

2) Senate lawmakers are back after the President’s Day recess. Here’s some outtakes from a few caught in the hallway Monday.

a. Mr. Dodd: “I feel will have a good chance to produce a bipartisan bill soon, and I know you all want to know dates and times exactly, and obviously I don’t know that... We’re not running out of time. Eventually you have to put something together and go forward. I want people to be comfortable with the product to the extent they can be, but I’m very optimistic we can get a bill. A good bill... We’re talking about everything in the bill, of course we are... I think if we can come out of committee with a bipartisan bill, the chances on the floor increase dramatically, and I believe we have a very good chance of doing that.”

b. Sen. Richard Shelby (R., Ala.): “Conceptually, we’re probably very close together on all the main issues... The big difference is an independent free standing consumer financial (agency). I’ve always said it should be with the prudential regulator because safety and soundness is so important, otherwise you are going to have cross-purposes there... Our staffs have been talking and we’ll see later this week if we’re moving closer together or we’re moving further apart. I hope we are moving closer together... We will produce at a markup an alternative to whatever is there, unless we work out something.”

c. Sen. Judd Gregg (R., N.H.): “I’ve been focused pretty much entirely on the issue of derivatives, and Jack Reed and I continue to work in a very constructive way on that issue. I can’t speak for the other issues as a whole.” When asked about progress on the derivatives piece, he responded, “I don’t want to characterize it, but we’re making constructive and I think positive progress.”

d. Sen. Jim Bunning (R., Ky.) was asked his thoughts about Sen. Bob Corker (R., Tenn.) breaking ranks with Republicans and working with Mr. Dodd on a potential bipartisan compromise. His response: "I don't have a thought about Bob Corker. Not one thought."

Push For Automatic Savings Accounts Could Benefit Banks

The Wall Street Journal

February 18, 2010

By Meena Thiruvengadam

A push by some of the nations largest financial institutions to increase savings rates could translate into a solid funding source for banks as key interest rates rise.

Institutions like Bank of America Corp. (BAC) and BBVA Compass are among those pushing incentive-based automatic savings accounts as a way for consumers to boost their savings. Bank of America, for example, rounds up debit card purchases, transferring the difference from customers; checking to savings accounts and matching the transfers by up to \$250 a year.

The Financial Services Roundtable, which lobbies on behalf of some of the nations largest banks, and the Consumer Federation of America - unlikely teammates - are joining up with the Employee Benefit Research Institute to promote the technique.

"We are paying people to transfer money into savings accounts. Its good for customers and for the overall economy," said Steve Bartlett, the roundtables president and chief executive.

The groups on Thursday released a collection of statistics detailing savings rates among low- and moderate income families and vowed to promote automatic accounts as a way for the financial-services sector to help households get onto firmer financial footings.

The data showed that less than one-third of low-income households and less than one-half of moderate-income households have savings or money market accounts.

"We in the industry are uniquely positioned to help," said Ron Hanley, president and chief executive of Bank of New York Mellon Asset Management. Hanley also co-chairs the roundtable asset management council.

But the industry also is uniquely positioned to benefit from an increase in consumer savings, especially when the Federal Reserve begins to tighten monetary policy by lifting key interest rates from their near-zero band.

"It's much less expensive for these institutions to maintain savings accounts fed by automatic deposits than deposits made to tellers," said Stephen Brobeck, executive director of the Consumer Federation of America. "Over time, as these savings deposits grow, the banks will have available a new source of relatively inexpensive funds even as interest rates rise, as they eventually will."

The financial-services industry also expects customers using these accounts will eventually enter into deeper, perhaps more profitable, relationships with banks.

Families Want Choices Among College Lenders
MarketingProfs.com
February 24, 2010

Nine in ten (92%) parents with a child under age 25 say families should be able to choose from a variety of lenders to finance their children's college education, according to a survey from Ipsos Public Affairs.

Over one-half (54%) of parents say the Federal government should be more involved in regulating student lending, while only 35% say the government should be the sole provider of federal college loans.

Meanwhile, 85% of parents say private sector lenders should be allowed to offer federal students loans that are competitive with loans offered directly from the Federal government.

Proposed Congressional Legislation

Over one-half (52%) of parents oppose—including 32% who strongly oppose—the legislation in Congress that would change the current student lending system so that only the federal government would offer federal college loans. Some 40% of parents favor the legislation.

Rising College Costs

Most (91%) parents who do not yet have a child in college say it is likely that their child will go on to college.

Overall, parents see a college education as a worthwhile investment:

84% say college is even more valuable in light of the economic crisis.

62% say the government is taking an active role in helping to make college more accessible.

83% worry the cost of college tuition is preventing many young people from having access to a college education.

Despite concerns about rising tuition costs, 58% of parents are confident they will be able to finance their children's college education, while 37% question their ability to do so.

Other findings:

60% of parents say private lenders would offer consumers better customer service than would the government.

Just one-half (49%) of parents say private lenders are better equipped than the federal government to assist students and their families with loan applications, default prevention, and financial literacy.

About the data: The Ipsos poll was conducted on behalf of the Financial Services Roundtable from January 21-31, 2010, from a nationally representative sample of 764 randomly-selected US adults with a child under the age of 25.

New Credit Card Rules Take Effect

My FOX DC

February 22, 2010

By Melanie Alnwick

The average American is carrying about \$1,100.00 of debt per credit card, according to Experian Marketing Insight, and most of us have more than one.

Now get this: a \$3,000 balance will take 11 years to pay off -- if you pay only the minimum balance.

That's the shocking statistic that consumers will start to see on their credit card bills, now that the regulations of the Credit Card Accountability, Responsibility and Disclosure (CARD) Act have taken full effect.

"I hope that that shocks people into taking a more responsible attitude toward their credit." says financial advisor Patricia Powell.

Cardholders will also see how much they'll have to pay each month, if they want to pay the balance off in three years.

Since August, credit card issuers have already changed some of their practices. Consumers must now have 21 days to pay their bill, and get 45 days notice of interest rate changes. They have the option now to cancel the card before the fee or rate hike takes effect.

Other changes that kicked in February 22 include no interest rate increases for the first year of card ownership, introductory rates must stay in place for 6 months, rate increases can only be applied to new charges, and annual fees can't go over 25% of your credit limit.

There are new protections for young card holders as well. A recent study by Sallie Mae found that 84% of college students carry credit cards, and seniors graduate with an average of \$4,100.00 in debt on those accounts.

"You just swipe it and don't think about it and at the end of the month... surprise!" says Emily Suied, a Texas undergraduate.

The regulations should mean no more surprises, says Scott Talbott, a vice president with the Financial Services Roundtable.

"The consumer has a lot more understanding, a lot more disclosures, a lot more ability to take control over their credit card and that's very important," says Talbott.

Consumer watchdogs are warning that credit card issuers will create new fees and raise old ones to compensate. The new rules don't limit how high a rate hike can go after the appropriate notice, or the amount of the minimum payment. Notice isn't required for variable rate credit cards, or if a consumer is 60 days overdue for a payment.

It's important to remember, that while we've all become attached to our credit cards -- they aren't charities.

"There has to be a balance between government regulations to protect consumers at the same time allowing them to generate a profit like any other business." says Talbott.

Credit card agreements are contracts, and both the issuer, and the user have to uphold them.

"These new rules don't absolve consumers of their obligation to pay their bills," said President Obama in a statement.

"They finally level the playing field so that every family and small business using a credit card has the information they need to make responsible decisions."

Bankers Unveil Savings Inducements
The National Press Club
February 19, 2010
By Tejinder Singh

An effort to prepare millions of Americans to save for their rainy days and for retirement was launched by a group of large banks and consumer organizations at a Newsmaker Feb. 18.

"There really is a savings crisis. and it ranges from low to middle class families," BNY

Mellon Asset Management President and CEO Ronald P. O'Hanley said.
"They blow out a tire in their car, they need to take care of a leak in the roof, but they have no money to handle that.

"More people in the world today are over 65 than the people ever had reached the age of 65," he cautioned about the retirement group emerging in the coming years."

O'Hanley said that "35 million people have no retirement plan while a minimum of \$52,000 is needed for an average American household to survive."

Other speakers highlighted the ways the Consumer Federation of America and the Financial Services Roundtable are implementing savings programs that pay consumers to save with "automatic" options and offering very low minimum balance requirements.

Of the 21 banks in the group, 16 major banks have announced they will lower their minimum balances on savings accounts, making it easier for people to save without having to worry about getting hit by low balance fees.

U.S. Bank has no minimum savings account balance, Regions has a \$5 balance, and Bank of America has a \$25 minimum balance.

In the past, the standard minimum savings account balance could be as much as a few hundred dollars.

Financial Services Roundtable President Steve Bartlett said, "I think we have a responsibility to bank the unbanked, and some days we do a better job at that than others. This is targeted at tens of millions of families that have a bank or credit union but don't have a savings account."

U.S. Bank, a Fortune 500 company, is offering a \$50 for the first \$1,000 saved, and if the balance is maintained for a year, the saver gets a \$50 Visa gift card.

In April, BBVA Compass will start a program that annually matches up to 6% of the funds that customers have automatically transferred into savings each month.

The Financial Services Roundtable also wants to encourage its bank members to let customers transfer money from checking to savings for free, as each of the group's 21 largest banks do.

The panel called on Congress to propose and pass more legislation to help Americans save and streamline the ongoing efforts to ingrain "savings" habit in the American culture.

Have community banks benefited from big bank worries?

News10Now

February 24, 2010

By Neil St. Clair

VESTAL, N.Y. -- The sign reads safe, sound and secure. The motto community banks, such as NBT, want you to remember when deciding where to place your deposits -- that and a familiar feeling

"You know who we are. The people who run the bank are all within the community and all within the area," said Jeffrey Lake, NBT's regional president. "It's a very short ladder from the teller line to the CEO's office."

Lake says the big banks, such as Bank of America and J.P. Morgan Chase, aren't necessarily the villains some have painted them as, but they have left lingering concerns.

"Suddenly, I think a lot of the depositors are going, 'boy this has gone terribly astray. Is our money safe? And maybe why isn't it safe?'" said Lake.

But are these questions enough to make big banks worry?

Campaigns such as "Move Your Money" say they should. The group wants depositors to take their cash out of big banks, putting it in community outfits, typically those with less than \$10 billion in deposits.

But the Financial Services Roundtable, a lobbyist group for the top 100 banks, says that's the wrong tactic.

"That is the right execution with the wrong idea," said Scott Talbott, a FSR spokesperson. "Customers should pick the institution large or small that best serves your needs."

Talbott says despite national concerns over bank bailouts and bonuses, there's been little redepositing.

"People change every day and that trend continues, but nothing different than what we've seen in the past," Talbott said.

At NBT, deposits have grown around 15 percent since the financial crisis in 2008, attributed, in part, to big bank dissatisfaction.

"In our markets, where we do have some of the bigger players, a lot of that is coming from their businesses," said Lake, referring to NBT's deposit increase.

The Independent Community Bankers of America, a community bank lobbyist, says their results, are inconclusive on redepositing.

According to the ICBA, community banks hold around 23 percent of the country's banking assets, but make 67 percent of small business and consumer loans.

Click [here](#) to view clip.

Credit card companies' side of the story
Marketplace
February 19, 2010

Scott Talbott of Financial Services Roundtable, a banking industry organization, tells Tess Vigeland how credit card companies feel about the CARD Act.

Tess Vigeland: So we've spent a lot of time hearing how the new credit card legislation will affect you. But there's another big group out there that's experiencing major changes: The credit card issuers. Of course as we know, they've been preparing for this for months and adjusting their policies accordingly. But we thought it only fair to get their side of the story.

So we called up Scott Talbott. He's with the Financial Services Roundtable, an organization that represents the banking industry. And he frankly surprised me with his answer to the question, "What do you think of the new laws?"

Scott Talbott: For the most part, we are entirely supportive of the reforms in this law. Our biggest concern with this bill or the effect of this bill, would be that it would have a downward pressure on the availability of credit, either through reducing credit lines or increasing interest rates. But overall, if you look at the provisions in the bill -- from increased disclosures to predictability on your payment date to prohibiting marketing to students -- this is actually a net benefit to consumers. In the end, everybody benefits from that.

Vigeland: Well, let's go back to something you just said a moment ago. One of the things that we have been hearing is this argument that this law is going to make it more difficult for people to get credit. Can you walk us through exactly how that will happen? How will credit be more difficult to either maintain or obtain?

Talbott: Sure. Credit card lending is the riskiest type of lending. There's not collateral; it can be fully discharged in bankruptcy. Terms for the credit are based on that risk. And so, any time the government steps and places controls over the ability of the market to price for that risk, the markets will respond by decreasing the availability of credit or increasing the interest rate, which has the net effect of decreasing the availability of credit.

Vigeland: But as far as I can see in the law, there's nothing that says you can't raise the interest rate, you just have to give someone a month-and-a-half notice.

Talbott: Well, no, the law actually prohibits you from increasing the interest rate on an existing balance, except for some very, very narrowly defined circumstances.

Vigeland: Right. But any balance going forward, you certainly can.

Talbott: Correct, for purchases going forward. But what we're focused on here -- and this is where our concern comes in -- if you have a five or \$10,000 balance at

10 percent interest rate, and you start missing payments, the law prohibits the industry from increasing the interest rate on that balance.

Vigeland: But what possible good would that do for the industry? I mean, if you're increasing someone's interest rate, and they're already in arrears, how can that possibly mean that you're going to get more money out of that stone?

Talbott: Well, what we're doing is, the market is adjusting for the risk of that particular borrower. If the interest rate goes up, yes, it makes it harder for the consumer to pay that balance down. But at the same time, they're still going to keep paying, they're still going to try or at least we hope so, I mean, that's the contract that they've signed. And so, if the interest rate reflects their increased risk, then their payments will respond accordingly, and they'll end up paying more ultimately in interest. So, in the end, it's not a good thing for the consumer necessarily, but by having the ability to price for risk, you allow the credit card market to operate efficiently.

Vigeland: I guess I still don't understand -- and I've never understood this, as this whole debate has gone along -- this notion that you increase, by sometimes enormous amounts, the interest rate on an existing balance, as someone is falling behind on payments. That just makes it harder for them to pay it back. So how on earth does that benefit the credit card company?

Talbott: Well, there are those who will still be able to afford to make the payments, but you're absolutely correct. It becomes a downward spiral; we recognize that and that is one of the challenges of credit card lending.

Vigeland: What do you say to -- at the very least, hundreds, if not thousands of people out there, who have watched their credit card lines drop, their interest rates increase and yet, they say, "Look, I didn't do anything wrong over the last nine months. Why punish me, when I've been a good credit risk?" What's the answer to that?

Talbott: Sure, sure. Couple things: One, we are living in a recession, and there is a generalized risk in the economy, woven into everybody's credit card rate is that generalized risk. Secondly, when you get an interest rate increase, you have the ability to challenge and refuse to pay that interest rate increase. And you will see that in the law that goes in effect on Monday. So, if you get an interest rate increase or a credit line decrease, contact your lender and see if you can negotiate a better rate or better terms. And if they are unwilling to negotiate, then vote with your feet. Go on-line and do your research. There are about 6,000 different credit card issuers out there.

Vigeland: And finally Scott, you know, it seems like the credit card industry has kind of become the bogey man, the new societal pariah, if you will. What's it like to be the new folks that people love to hate?

Talbott: Well, couple things. One, we're not used to being in the news, that is for sure. But that being said, there are some reforms that need to occur, and the industry is embracing them and will be ready on Monday to be compliant with the new law. And what we want to do is eliminate those bad practices and strengthen the good ones, so that credit cards are no longer the bogey man, but rather they're an effective tool in your pocket and people feel comfortable using them, people feel comfortable carrying them.

Vigeland: Scott Talbott is with the Financial Services Roundtable, and we've talked about the new credit card laws coming into effect this coming Monday. Thanks so much for your time.

Talbott: Sure, my pleasure.

**More Americans Considering Community Banks
NPR "All Things Considered"
Adriene Hill
February 17, 2010**

Bailouts and bonuses have many Americans frustrated with big banks. Some consumers think these giant institutions have lost touch with customers and basic good business practices. They're so fed up that they're holding these behemoths accountable by moving their money to community banks.

Terry Brauer is moving his personal and business bank accounts from Wells Fargo to the much, much tinier Bank of Highwood-Fort Sheridan in the suburbs of Chicago.

"It's a community bank," says Brauer. "As you can see, the architecture doesn't look like a spaceship."

The bank tellers are quick to greet customers.

There's a coffee machine in the lobby, along with chocolate chip cookies.

Sep. 18, 2008" And then we have dog biscuits. My dog has been here several times, and he enjoys it very much," Brauer says.

But for Brauer, the switch from his big bank was about more than niceties; it was about trusting the company he banks with to do right.

"If I were to have, for example, an issue with this bank, I would go to the bank manager," says Brauer. "She's only about 15 steps. She's not in some office hiding under her desk on the 44th floor of a large building. They're accessible; that's the difference. The difference is that decision makers are accessible."

A National Movement

Thousands of other people around the country are making — or at least want their online friends to know they're thinking of making — a similar switch and saying bye-bye to the big four: Wells Fargo, Bank of America, JPMorgan Chase and Citigroup.

Arianna Huffington of the Huffington Post is spearheading a campaign called Move Your Money, which encourages people to move from the banking giants to smaller community banks.

"There's a lot of anger about the way banks have acted," says Huffington. "It's a total lack of empathy and concern."

The group's Facebook page has more than 27,000 fans.

Huffington says half the country's zip codes have been plugged into the Web site's community bank search engine.

"I think it's already an enormous success," says Huffington. "The fact that people are considering it; the fact that people are doing it; the fact that people are feeling empowered."

Difference Between Saying And Doing

But Mitchell Petersen, a finance professor at Northwestern University's Kellogg School of Management, is skeptical whether the campaign will cause droves of consumers to abandon their big banks.

"If I was a betting person, I'd sort of bet against it," Petersen says.

He says it would take a whole lot of money-movers to have a noticeable economic effect.

"People are busy, and they get really mad at things, and they say, 'I'm going to go home and do something,'" Petersen says. "And then they figure out how long it's going to take to change the checking account and change all the [electronic] payments. And I can either spend an hour with my kids or an hour doing that, and I don't know about them, but when I do that trade-off, I'll just stay with the bank I have."

Still A Political Message

But, says Petersen, even without a massive number of banking customers switching to community banks, the campaign sends a political message.

Elise Brooks is a spokeswoman for the Financial Services Roundtable, a group that represents the largest banks.

"Difficult to say — I'm sure they've heard of it," Brooks says when asked whether banks were paying attention to this movement. "But I think their priority is just turning out the best possible product for their customer."

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

**Banks step up reform opposition
United Press International
February 15, 2010**

NEW YORK, Feb. 15 (UPI) -- Some of the largest banks in the United States are ratcheting up spending on lobbying intended to defeat proposed regulatory reform in Congress, records show.

Citing data contained in disclosure forms filed with Congress, the Los Angeles Times reported Monday lobbying expenditures rose 12 percent from 2008 to 2009 -- with eight banks and private equity firms reporting they spent \$29.8 million last year on lobbying.

JPMorgan Chase & Co. spent \$6.2 million -- an increase of 12 percent from 2008. Wells Fargo & Co. increased spending on lobbying by 27 percent and Morgan Stanley spent 16 percent more, the Times said.

Scott Talbott, a lobbyist for the Financial Services Roundtable -- which lobbies on behalf of about 100 large financial firms -- told the Times lobbying will become more intense in 2010, as Congress considers proposals by

President Barack Obama to impose a new tax on big banks, limit their size and restrict their investment in private equity funds and hedge funds.

"This is a watershed moment," Talbott said "The industry will be changed forever after this year."

Ed Mierzwinski, a lobbyist for the U.S. Public Interest Research Group, said in years of working on bank issues, he had "never seen such a scrum of bank lobbyists as I have in the last year."

"It seems like everybody is out of work except for bank lobbyists," Mierzwinski said.

Banks: We'll give you money to save money

CNNMoney

February 18, 2010

By Jennifer Liberto

Millions of low and middle-income Americans don't have a savings account, but a group of large banks and consumer advocates kicked off an effort Thursday to change that.

The Financial Services Roundtable and the Consumer Federation of America have teamed up to offer consumers cash incentives to sock more money away for a rainy day.

More than two-thirds of families making less than \$19,000 a year lack savings accounts, according to a new Consumer Federation of America analysis of 2007 federal reserve financial data. More than half of families making up to \$34,000 also have yet to open savings accounts.

Some 42% of middle-income families making between \$34,000 and \$54,000 don't have savings accounts. And 20% of those making more than \$89,000 also don't have savings accounts.

"There really is a savings crisis and it ranges from low to middle class families," said Ron O'Hanley, president and chief executive of BNY Mellon (BK, Fortune 500) Asset Management. "They blow out a tire in their car, they need to take care of a leak in the roof, but they have no money to handle that."

An odd couple

Of course the Financial Services Roundtable and the Consumer Federation of America are often at odds when it comes to advising Congress how to regulate financial products. They're currently slugging it out over the creation of a Consumer Financial Protection Agency.

But together they're highlighting new and existing savings programs that literally pay consumers to save.

"I think we have a responsibility to bank the unbanked, and some days we do a better job at that than others," said Steve Bartlett, chief executive of the bank lobbying group. "This is targeted at tens of millions of families that have a bank or credit union but don't have a savings account."

To that end, 16 major banks have recently lowered minimum balances on savings accounts, making it easier for people to save without having to worry about getting socked with low balance fees. US Bank has no minimum savings account balance, while Regions has a \$5 balance and Bank of America has a \$25 minimum balance.

Saving enough to retire

In the past, the standard minimum savings account balance could be as much as a few hundred dollars, but these banks have lowered their minimum balances to between \$25 and \$50, O'Hanley said.

Additionally, several banks offer or will start offering financial incentives for savers.

*In April, BBVA (BBVA) Compass will start a program that annually matches up to 6% of the funds that customers have automatically transferred into savings each month.

*U.S. Bank (USB, Fortune 500) now offers a \$50 Visa gift card for the first \$1,000 in savings and another \$50 gift card if the balance is maintained for a year.

*Bank of America (BAC, Fortune 500) rounds up debit card purchases to the nearest dollar and transfers that change into savings. Additionally, the bank matches a portion of the funds that were rounded up and transferred into savings, although the match is capped at \$250 a year.

The Financial Services Roundtable also wants to encourage its bank members to let customers transfer money from checking to savings for free, and said that each of the group's 21 largest banks already do so.

Know your rights
Contra Costa Times
February 18, 2010
By Eve Mitchell

Starting Monday, major changes are coming to credit cards, changes that are meant to protect consumers from interest rates that rise without warning on existing credit card balances and other industry practices that make consumers angry.

The far-reaching changes are the result of credit card protections signed into law last May by President Barack Obama as part of the Credit CARD Act of 2009. Some of the provisions rolled out last August but the most significant changes become effective in February.

"It's a new day in credit cards — both for consumers as well as banks and credit card issuers. I think what is going to provide the biggest protection for most people is not being able to change (interest) rates on existing balances for the most part and that's also going to have a big impact on the credit card industry. That's really how they have gotten a big share of their revenues," said Ben Woolsey, who worked in the credit card industry for 20 years before becoming director of consumer research at www.creditcards.com, a Web site for comparing credit cards.

Last August, new rules went into effect which required issuers to give a cardholder 45 days notice before raising interest rates or making other significant changes to their accounts. No matter what the reason for the change, a cardholder now also has the right to choose to close the account and pay off the balance at the existing interest rate.

Starting Monday, additional protections will go into effect and credit card issuers will not be able to raise interest rates on future balances during the first year an account is opened, or on a card's existing balance at any time, unless a cardholder has a variable rate card, was 60 or more days late in making a minimum payment or if a promotional rate period that was at least six months long had expired.

"If your rate is going up (on an existing balance) because of one of the three exceptions they are not required to notify you 45 days in advance," explained Lauren Bowne, a staff attorney with the San Francisco office of Consumers Union.

"For example, if you pay 60 days late, an issuer can raise your rate and apply it to an existing balance without giving you 45 days notice. But, if an issuer just wants to raise rates in the future and you have not paid 60 days late they must give you the notice," she said.

The fact that one of the exceptions is for cards with variable rates applies to many consumers. Since the CARD Act became law last year, most consumers with fixed-rate cards have been switched to variable-rate cards, said Bowne.

However, under the new rules that roll out in February, variable rate increases on existing balances of credit cards will be tied only to an underlying index (the prime rate). The result is that credit card companies will not be able to add on a margin rate that can make the interest rate much higher.

In the last several months, many cardholders have received notices informing them of higher interest rates on existing accounts and reduced credit limits. But consumers often ignored these notices, which are now even more important to review, according to Bowne.

"That's the thing I'm hoping for. That consumers have started reading their notices more because so many people have been affected by changes in terms in the past year," she said.

Recent increases in interest rates and lower credit limits are related to the economic downturn and changing risk profiles of consumers, according to the credit card industry, which believes that some of the rules that roll out in February will make it harder for some consumers to obtain credit.

"The industry is ready for the changes, ready to be in compliance," said Scott Talbott, senior vice president of government affairs for the Financial Services Roundtable, an industry group. "There are a lot of new disclosures that we think are very helpful to consumers and needed to be done. What we are worried about is — since credit cards are the riskiest type of lending — that the new restrictions on what companies can charge in interest will reduce or limit their availability of credit. That is the major concern."

It's possible some credit card companies may add on extra fees to offset losses resulting from the changes, said Woolsey, of www.creditcards.com.

"The way this thing is written it's going to squeeze a lot of profit out of the credit card industry," he said. "It's all very positive what's happening now for consumers but it has the potential to change what credit cards are like. It will be interesting to see how the credit card industry reacts."

All the more reason that consumer advocates are urging consumers to read any notice they get from a credit card company

"Read your notices even if you pay your bill off every month. They might have a new inactivity fee. They may start charging if you want to receive a paper (bill)," Bowne advised.

Frustrated Investors Move From Big Banks Financial Advisor February 25, 2010

(Dow Jones) Even before the Huffington Post launched its "Move Your Money" campaign, investors—many with the blessings of their financial advisors—had begun to shift their assets from the Wall Street financial institutions to the little guys on Main Street.

"There's an anger in the country about the bailouts of large banks," says Cheryl Smith, president of Trillium Asset Management Corp. in Boston, who has fielded in the last six months a lot more questions than usual from clients about whether to abandon the big banks.

A 2009 J.D. Power and Associates study found consumer perceptions of banks had declined for the third consecutive year and that only 35% of customers were "highly committed to their retail bank."

The big institutions play down those kinds of numbers. "People change accounts all the time," says Scott E. Talbott, senior vice president of governmental affairs for The Financial Services Roundtable. "We're going to work hard to restore customer trust."

But a growing number of community banks and credit unions are capitalizing on this frustration with campaigns encouraging customers to switch to a smaller bank and promising better service.

"Almost daily someone will call and say, 'I'm bringing my accounts to you,'" says Mike Menzies, president and CEO of Easton Bank and Trust in Easton, Md.

Gregory Heller, who had banked with WaMu before it was taken over by Chase, says he made the change because he was "fed up with the big banks and the way they've been behaving."

"I wanted to send someone a message about the bank bailouts and bonuses," he said. He moved his accounts to the BECU credit union in Seattle.

Some financial advisors approve of the move, particularly for clients who like the idea of their deposits being loaned locally or who are shopping for loans themselves.

Smith tells clients not to switch without making sure that deposits at the new institution are insured by Federal Deposit Insurance Corp. or the National Credit Union Administration. Additionally, the credit union or community bank must provide the necessary services. "Are they a member of an ATM network so that, if you travel, you can access money without high ATM fees?" says Smith.

Linda Leitz, a financial advisor in Colorado Springs, Colo., says clients are asking a lot more about using a credit union. She says one benefit is that many of the credit unions have similar membership because they may be for educators or military personnel. As a result, they often better understand the unique needs of their clients.

"You have to shop around and a lot depends on your financial lifestyle," says Greg McBride, senior financial analyst at Bankrate.com, which provides comparison calculators. For example, not all financial institutions provide free online banking.

"Credit unions tend to have lower fees, lower loan rates and higher deposit rates than many of their banking competitors, especially their larger competitors," he says.

SEC puts new curbs on short-selling

Forbes

February 24, 2010

By Marcy Gordon

Federal regulators on Wednesday imposed new curbs on the practice of short-selling, hoping to prevent spiraling sales sprees in a stock that can stoke market turmoil.

The Securities and Exchange Commission, divided along party lines, voted 3-2 at a public meeting to adopt a new rule. Investors and lawmakers have clamored for the agency to put such brakes on trading moves they say worsened the market's downturn in the fall of 2008.

rule puts in a so-called circuit breaker for stock prices, restricting short-selling of a stock that has dropped 10 percent or more for the rest of a trading session and the next one. The new curbs take effect in about 60 days but stock exchanges have six months after that to implement them.

Short-sellers bet against a stock, in a practice that is legal and widely used on Wall Street. They borrow a company's shares, sell them and then buy them when the stock falls and return them to the lender - pocketing the difference in price.

The SEC move followed months of wrestling with the controversial issue. The SEC asked for public comment last April on several alternative approaches to restraining short-selling, and a bipartisan group of senators have pushed the agency to act or face legislation. The agency got more than 4,300 comments on the issue.

Ted Kaufman, D-Del., and Johnny Isakson, R-Ga., who head the group, called Wednesday's action by the SEC "a step forward" but said its effect will be limited, "helping only in the worst-case scenarios that could occur during a terrorist attack or financial crisis."

What is needed, they said, is restoration of the Depression-era uptick rule, a permanent constraint allowing short-sellers to come in only at a price above the highest current bid for a stock. The SEC abolished the uptick rule in July 2007, when the stock market was near its peak.

The SEC staff estimates that only 1.3 percent of all stocks hit the 10 percent decline threshold during normal trading days without wild market swings.

Investor confidence was shaken as the market plunged amid the financial crisis in late 2008, and proponents of restoring restraints said they were needed to prevent abusive trading. They maintained that the absence of restraints fanned market volatility, prompting hedge funds and other aggressive investors to target weak companies with an avalanche of short-selling.

But opponents said new restrictions could eliminate the benefits of short-selling - bringing capital into the markets and accurate stock prices to the surface - and actually hurt investor confidence.

That debate was mirrored among the SEC commissioners at Wednesday's meeting. The two Republicans, Kathleen Casey and Troy Paredes, disputed that the curbs would bolster investor confidence and said they could hurt the market's efficiency.

Casey said she was "deeply concerned" that the action seemed to be guided more by "public relations" than evidence of the benefit of the rule. It could "undermine our credibility in the long run," she said.

Under the new rule, once a "circuit breaker" has been triggered, short-selling in the affected stock will be permitted only if the price is above the current highest bid for the stock. That restriction would apply for the rest of the trading session and the next day's session.

The SEC said the rule strikes a balance between two objectives: preventing short sellers from driving the price of a gutted stock even lower and preserving the benefits to investors from legitimate short-selling, such as pumping cash into the market. The balance comes, the agency said, because the "circuit breaker" restrictions are temporary and are applied to a specific trading session, in contrast to other alternatives such as the uptick rule that would institute permanent constraints.

"The reason this rule makes sense is because it recognizes that short-selling can potentially have both a beneficial and a harmful impact on the market - depending on the circumstances," SEC Chairman Mary Schapiro said.

Schapiro said it's important for the SEC and the markets "to have in place a measure that creates certainty about how trading restrictions will operate during periods of stress and volatility."

Jack A. Ablin, chief investment officer at Harris Private Bank in Chicago, said the new rule would only come into play during extreme cases and wouldn't dramatically impact trading.

"I get a little squeamish when the SEC tries to restrict short-selling, but I think at least in this case they're likely to steer clear of a lot of unintended consequences," Ablin said. "By requiring a 10 percent drop in the stock, they're going after the outliers."

Still, some financial industry players said the new rule would disrupt the markets.

The Coalition of Private Investment Companies, an influential hedge fund lobby group, said the new short-selling curbs "will harm investors' interests by raising transaction costs, reducing market quality, and undermining confidence in the markets' ability to determine prices fairly and efficiently."

Scott Talbott, chief lobbyist for the Financial Services Roundtable, whose members include the largest banks, said the group supports the rule. "It

attempts to provide certainty to investors during an uncertain period," he said.

Big banks including Bear Stearns, Lehman Brothers (LEHMQ - news - people) and Merrill Lynch were among the companies that, critics said, were victims of "bear raids" by short sellers that played a key role in forcing their collapse during the market turmoil.

In a separate, 5-0 vote Wednesday, the SEC commissioners adopted a statement laying out the agency's support for global accounting standards and its belief that they would benefit U.S. investors. The statement says the SEC continues to encourage the convergence of U.S. accounting standards with the norms known as International Financial Reporting Standards.

In 2008, the SEC proposed a plan allowing public companies to begin using international accounting standards for reporting financial results this year. The push by the agency toward acceptance of a single, global set of accounting standards has raised objections from some investor advocates and lawmakers but has been welcomed by Wall Street interests and the accounting industry.

Geithner to Trade Groups: 'Strong' Regulatory Reform Coming Soon
FoxBusiness

February 25, 2010

By: Peter Barnes

Treasury Secretary Timothy Geithner advised top officials from eight financial industry and business trade groups Thursday that the Obama administration is throwing its "full weight" behind a "strong" financial regulation reform bill and is pushing to getting it done "soon," according to two financial industry sources.

He told the association representatives that "the administration would not give up, whether a bill is passed now or later – they will not stop fighting" for regulation reform, one meeting participant said.

In a statement, a Treasury spokesman said Geithner "reiterated the administration's determination to get strong financial reform done soon and done right. He noted that passing a financial reform bill in the near term will create certainty for consumers, businesses and markets -- certainty that is essential to laying a firm foundation for sustainable economic growth."

Geithner met with Rob Nichols, president of the Financial Services Forum; Steve Bartlett, president and CEO of the Financial Services Roundtable; Bruce Josten, executive vice president of the U.S. Chamber of Commerce; Doug Lowenstein, president of the Private Equity Council; Ed Yingling,

president and CEO of the American Bankers Association; Cam Fine, president of the Independent Community Bankers Association; Ken Bentsen, executive vice president of SIFMA, which represents Wall Street firms, and Roger Hollingsworth, executive vice president of the Managed Funds Association, which represents hedge funds.

Nichols said he and his fellow association executives told Geithner that they are “pro reform” and favor a reform bill on a bi-partisan basis this year. He said the lack of a defined set of “the rules of the road” was creating uncertainty for financial firms and other businesses that would be affected by reform legislation.

“It was a constructive and thoughtful exchange of views,” Nichols said. But “we’ve got to get the details right” with reform legislation, he added.

Among other things, several of the associations having been lobbying against the administration’s proposal to create a new Consumer Financial Protection Agency to regulate sales and marketing of mortgages, home equity lines of credit, credit cards and other consumer financial products.

The associations generally agree on the need for stronger consumer protections in a reform bill, but say a new agency would add an unnecessary layer of regulation and bureaucracy that will raise the costs of consumer financial products and limit innovation.

According to one meeting participant, Geithner told the executives, “I know we don’t agree on everything (but) we agree on a lot of the big pieces” of reform.

“He then asked what each of the eight participants priorities were and pretty much listened the rest of the meeting,” another participant said.

The financial services industry, for example, generally agrees with the need for a new “resolution authority” for the government to allow it to take over and wind down a failing firm before its failure can damage the broader financial system.

A third financial industry source briefed on the meeting said Geithner did not discuss timelines or deadlines with the association executives.

**Seniors Overwhelming Support Financial Reform, AARP Survey Says
Huffington Post
February 23, 2010**

A new survey finds broad bipartisan support for strong financial reform among senior citizens.

The survey, commissioned by AARP and released on Monday, asked 815 people above age 50 a variety of questions related to consumer financial protection.

More than 90 percent of all respondents "strongly" favored requiring banks to explain the terms and conditions of loans -- including mortgage and credit cards -- in plain language people can understand; and two-thirds favored allowing states to enact consumer protection measures that are stronger than federal rules. Although this last point is strongly opposed by Republicans and the big banks, 68 percent of Republican seniors support it, the survey says.

"Older Americans, whose retirement nest eggs were decimated by the failure of an outdated and compromised financial regulatory system, overwhelmingly say they want reform," Nancy LeaMond, executive vice president at AARP, said in a statement. Older Americans "want clear information so they can make better, more informed decisions and greater transparency about the financial products available to them."

Among the reform measures AARP has called for is an independent consumer-focused financial protection agency to protect consumers from predatory lenders. The House of Representatives passed a bill in December creating such an agency, though its fate in the Senate is up in the air.

"This survey further shows that Americans 50+, hit hardest by the economic downturn and facing depleted retirement accounts, are looking to the Senate to pass financial reforms that will protect their retirement security," AARP said in a statement.

Americans for Financial Reform, a coalition of consumer, labor, civil rights and liberal advocacy groups that's fighting for strong financial reform, welcomed the results of the survey.

"It's similar to a lot of the polling we've seen in that this issue has nothing to do with right or left," the group's spokesman, Lauren Weiner, wrote in an e-mail. "This is particularly true with seniors who witnessed first-hand what it's like to see their savings, which they had long depended on providing a cushion for retirement, just slip away because of reckless behavior from the big banks."

She continued:

"Additionally, we see that clarity of financial products -- clearly explaining fees and disclosing risk in plain English -- was especially popular with those over 50, which comes as no surprise. Many are on a budget and can scarcely afford to put their money anywhere that could be especially risky.

"Of course, none of this was a consideration of those on Wall Street who were all too willing to gamble with our money and savings."

Scott E. Talbott, senior vice president of government affairs for the Financial Services Roundtable, an advocacy group for the nation's biggest financial services firms, said he agrees with some of the survey's results.

Regarding seniors' desire for "plain language" disclosures, Talbott said the group "absolutely" supports "simple, clear, concise and understandable disclosures...for all the products we sell."

"Here's the reality," Talbott said. "The fate of the institutions and the fate of the customers are inextricably linked. There's a joint responsibility between lenders and consumers to understand the terms of agreement they're entering into. Anything we can do to strengthen that agreement, to fulfill our end of the responsibility, we're for."

The hang-up, said Talbott, lies with federal laws and regulations.

Lenders support plain language disclosures "as much as the law would allow," Talbott said. The problem is current law requires certain disclosures that often are complicated, he said.

According to Talbott, if lenders were to simply state the terms of their loans using plain language, they "might be in violation of the law" due to required federal disclosures.

"But we're willing to work with regulators and lawmakers," Talbott said.

As for lenders selling credit products that aren't suitable for borrowers, Talbott said that financial services firms are looking to improve their image in that regard by moving towards a model that calls for lenders to determine a borrower's ability to repay the debt before approving the loan, so that fewer borrowers would be duped into taking out loans they're not qualified for.

That was largely missing during the boom years, as banks and other lenders often made loans without verifying a borrower's income, for instance, or in some cases outright falsified borrowers' income.

"There were times in the past that products were not suitable" for borrowers, Talbott said. "Yes, we agree" with the survey's results, he said, though Talbott added that "any group that you ask would probably have a similar response rate."

Banks step up spending on lobbying to fight proposed stiffer regulations
Expenditures jumped 12% to \$29.8 million last year among the eight financial firms that spent the most to influence legislation.

Los Angeles Times

February 16, 2010

By Nathaniel Popper

Even as the financial industry has sought to keep a low public profile, some of the country's largest banks have ramped up their spending on lobbying to fight off some of the stiffest regulatory proposals pending in Congress.

Lobbying expenditures jumped 12% from 2008 to \$29.8 million last year among the eight banks and private equity firms that spent the most to influence legislation, according to data compiled from disclosure forms filed with Congress.

The biggest spender was JPMorgan Chase & Co., whose lobbying budget rose 12% to \$6.2 million, enough for the firm to have more than 30 lobbyists working for it. Among other banks, spending on lobbying rose 27% at Wells Fargo & Co. and 16% at Morgan Stanley.

"I have never seen such a scrum of bank lobbyists as I have in the last year -- and I've worked on quite a few bank issues over the years," said Ed Mierzwinski, a lobbyist for the U.S. Public Interest Research Group, a coalition of state consumer organizations. "It seems like everybody is out of work except for bank lobbyists."

Much of the increase in spending on lobbying in 2009 came in the final three months of the year as Congress voted on financial reform bills. Many Washington observers say industry lobbying has been even more intense this year, as President Obama has proposed a new tax on big banks, caps on their size, and curbs on their investment in often lucrative but risky hedge funds and private equity funds.

"This is a watershed moment," said Scott Talbott, a lobbyist for the Financial Services Roundtable, which represents about 100 of the largest financial firms. "The industry will be changed forever after this year."

Bank lobbyists, however, are trying to limit just how much the industry has to change. They are fighting some provisions in the Obama administration's broad industry-overhaul proposal, especially a plan to create a consumer protection agency to oversee financial services.

The House passed its version of the legislation in December. But its prospects are uncertain in the Senate, where talks between Republicans and Democrats on a compromise version recently broke down.

At a hearing this month, Senate Banking Committee Chairman Christopher J. Dodd (D-Conn.), who has had a generally warm relationship with the financial community, lashed out at the "refusal of large firms to work constructively with Congress."

"Too many people in the industry have decided to invest in an army of lobbyists, whose only mission is to kill the common-sense financial reforms that we are working so hard up here to try to achieve," Dodd said.

Lobbying by insurers and banks, including Morgan Stanley, may kill a provision in the overhaul bill that would make retail brokers more accountable to their clients, Bloomberg News reported last week.

The intensified efforts on Capitol Hill have come as banks, facing unrelenting anger over the financial crisis and government bailouts, have avoided publicly resisting a push to reform the industry. Many of the firms even reduced campaign contributions by their political action committees last year. And three big banks that have faced especially heavy public criticism -- Citigroup Inc., Bank of America Corp. and Goldman Sachs Group Inc. -- cut back or held steady on lobbying last year.

But the increased spending by other firms -- as well as by industry groups -- suggests financial firms are making their voices heard more than ever.

"Despite the decline in credibility with the public, the banks appear to have increasing power" on Capitol Hill, said Travis Plunkett, a lobbyist with the Consumer Federation of America.

The banks generally declined to comment on their lobbying. Wells Fargo said its 27% increase was justified because the bank nearly doubled in size by acquiring struggling Wachovia at the height of the financial crisis.

The banks have emphatically proclaimed a desire to see reform of the sort being discussed by legislators. At a Senate hearing this month, JPMorgan and Goldman

Sachs executives said they wanted to see the government help make the financial industry more stable.

"I fully and enthusiastically agree that we have to put 'too big to fail' behind us," said Gerald Corrigan, a senior executive at Goldman Sachs.

But outside of public view, bank executives have expressed concerns about the steps that Congress and the Obama administration have been looking at.

In a survey late last year by the Center for the Study of Financial Innovations, an industry-sponsored think tank, bankers said the biggest risk to the financial system was "political interference," with "too much regulation" coming in third. In the last such survey, in May 2008, liquidity was named as the top risk, "too much regulation" was No. 8 and "political interference" was not in the top 30.

Corrigan of Goldman Sachs criticized the specific steps that were recently proposed by Obama and former Federal Reserve Chairman Paul Volcker. "It's not at all clear to me, at least at this stage, that the focus is on the issues that were really at the heart of the crisis itself," he said at the Senate Banking Committee hearing.

Consumer advocates say it is the banks' opposition -- not their desire for reform -- that has carried the day.

"They are glossing over the fact that they are opposing the most far-reaching reforms that would actually require them to sacrifice some control," said Plunkett of the Consumer Federation of America.

Lobbying isn't the only way financial firms make their views known. Political giving by employees and PACs is another way.

There is also the more personal approach. Top executives from at least eight financial firms journeyed to Washington this month to meet with senators. The executives included Bank of America Chief Executive Brian Moynihan, JPMorgan CEO Jamie Dimon and the leaders of US Bank and Bank of New York Mellon.

"There's lots of CEO interest in coming to Washington," said Talbott of the Financial Services Roundtable.

The Principal Financial Group Announces Norman R. Sorensen Named President -- International Asset Management and Accumulation

Wall Street Journal Market Watch
February 24, 2010

The Principal Financial Group(R) announced the promotion of Norman R. Sorensen to president -- International Asset Management and Accumulation, the Principal Financial Group, and he continues as president and chief executive officer of Principal International, Inc. The promotion is effective immediately. Sorensen is responsible for managing businesses of The Principal(R) outside the United States in the company's international asset management and accumulation segment.

According to Larry D. Zimpleman, chairman, president and chief executive officer of The Principal, "This promotion reflects the strategic importance and business growth potential that the global market represents to the future of The Principal."

Sorensen joined The Principal in 1998. Previously he was a senior executive at American International Group (AIG). Prior to joining AIG, he held a number of senior international marketing and general management positions at American Express Company and Citigroup. Sorensen is a member of the Boards of Directors of Principal Asset Management Company and Principal Insurance Company (Hong Kong), BrasilPrev Seguros & Previdencia (Brazil), Principal Vida (Chile), Principal-PNB Asset Management Company (India), Principal International, Inc., (U.S.), and Principal AFORE and Principal Life (Mexico)

Outside of The Principal, Sorensen is vice chairman of the International Insurance Society (IIS), New York,; chairman of the Global & Trade Committee of the Financial Services Roundtable (FSR), Washington, D.C., and a member of the Board of Directors of Sara Lee Corporation.

Sorensen is a graduate of the United States Air Force Academy (USAFA) and Columbia University's Executive Program for International Managers. He is based at the Principal Financial Group home office in Des Moines, Iowa, U.S.A. Principal International, the global arm of the Principal Financial Group, has operations in nine countries and serves over eight million international customers.

About the Principal Financial Group The Principal Financial Group(R) (The Principal(R))(1) is a leader in offering businesses, individuals and institutional clients a wide range of financial products and services, including retirement and investment services, life and health insurance, and banking through its diverse family of financial services companies. A member of the Fortune 500, the Principal Financial Group has \$284.7 billion in assets under management(2) and serves some 18.9 million customers worldwide from offices in Asia, Australia, Europe, Latin America and the United States. Principal Financial Group, Inc. is

traded on the New York Stock Exchange under the ticker symbol PFG. For more information, visit www.principal.com.

(1) "The Principal Financial Group" and "The Principal" are registered service marks of Principal Financial Services, Inc., a member of the Principal Financial Group. (2) As of December 31, 2009

U.S. Bank Promotes Saving with S.T.A.R.T. During America Saves Week Feb. 21-28, 2010

Marketwatch

February 17, 2010

U.S. Bank will turn up the flame on efforts to give consumers an easy, meaningful way to save, by promoting S.T.A.R.T. -- Savings Today And Rewards Tomorrow(TM) -- during America Saves Week Feb. 21-28, 2010. S.T.A.R.T. will be one of the programs highlighted in a news conference with the Financial Services Roundtable and Consumer Federation of America at the National Press Club in Washington D.C. at 10 a.m. ET on Thursday, Feb. 18.

In addition to outlining the savings programs of the nation's major institutions, representatives at the news conference will release new Federal Reserve Board data on low- and moderate-income household saving and new data from a nationwide survey on consumer attitudes toward automatic saving.

Launched as a pilot in 2009 and in full roll-out in 2010, U.S. Bank's S.T.A.R.T. program has already helped its customers generate millions of dollars in new savings as of Jan. 31, 2010. Approximately one-third of customers who open a new checking account are also enrolling in S.T.A.R.T.

"Americans are making a fundamental shift back to making saving a priority, and we're seeing that reflected in the early success of our S.T.A.R.T. program and savings rates in general," said Rick Hartnack, vice chairman and head of consumer banking at U.S. Bank. "Our goal is to support that trend and encourage a whole new generation of savers."

S.T.A.R.T. is a simple and rewarding way for everyone to save. The program allows customers to regularly transfer money into a savings account and to earn rewards when they reach certain savings milestones. Customers choose how they want to contribute and how much they want save, whether it is a little every week, a little with every paycheck or a little with every debit or credit card purchase. To

accelerate the savings, customers can also automatically sweep into their S.T.A.R.T. account the cash they earn through their FlexPerks rewards program.

Savers are congratulated with a \$50 U.S. Bank Rewards Visa Card when savings balances build to \$1,000, and if they maintain that balance for one year, they will earn another \$50 Rewards Visa Card from U.S. Bank to use as they wish -- no strings attached.

U.S. Bank is promoting S.T.A.R.T. with a full-scale advertising campaign on television, radio and in newspapers. Customers will also see S.T.A.R.T. in U.S. Bank branches and online at www.usbank.com/start, where they can also use the online calculator to determine their savings goals and the methods that will work best for them.

America Saves is a nationwide campaign in which nonprofit, corporate and government groups help individuals and families save and build wealth. U.S. Bank partners with America Saves throughout the year in a number of local programs that help those who wish to pay down debt, build an emergency fund, save for a home, save for an education or save for retirement. To learn more, visit www.americasaves.org.

U.S. Bancorp (USB 23.73, +0.02, +0.08%) , with \$281 billion in assets as of Dec. 31, 2009, is the parent company of U.S. Bank, the fifth largest commercial bank in the United States. The company operates 3,015 banking offices in 25 states and 5,148 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions. Visit U.S. Bancorp on the web at www.usbank.com.