

Roundtable Mention  
March 1-15, 2010

[\(AP\) Dodd to offer his own financial regulation bill](#)  
[\(AZCentral\) Free help to prevent foreclosure](#)  
[\(The Baltimore Sun\) Marylanders joining Move Your Money campaign](#)  
[\(Bank Info Security\) Banking/Security Agenda - Paul Smocer, Financial Services Roundtable](#)  
[\(Bank Info Security\) Fighting Fraud: New Risks, Solutions](#)  
[\(Bloomberg\) Baucus Says Bank Bonus Tax Proposal Unlikely to Get Senate Vote](#)  
[\(Bloomberg\) Consumer Agency Within Fed Seen as Victory for Banking Industry](#)  
[\(Bloomberg\) Consumer Agency Within Fed Seen as Victory for the Banks \(Update 1\)](#)  
[\(Bloomberg\) Fed May Lose Oversight of Small State Banks to FDIC, Reed Says](#)  
[\(Bloomberg\) Talbott Sees Financial Rules Bill in a `Couple of Days': Video](#)  
[\(Bloomberg\) 'Volcker Rule' Draft Signals Obama Wants to Ease Market Impact](#)  
[\(BusinessWeek\) Chamber of Commerce Urges Senators to Oppose Bank Bonus Tax](#)  
[\(BusinessWeek\) Chamber of Commerce Urges Opposition to Bonus Tax \(Update2\)](#)  
[\(Cape Cod Times\) Credit card rules leave users vexed](#)  
[\(CCH Financial Crisis News Center\) Securities and Banking Industries Urge Senate to Retain Fed Regulatory Powers](#)  
[\(The Charleston Gazette\) US senator to offer financial regulation bill](#)  
[\(Chicago Tribune\) Even in tight times, it's possible to start saving](#)  
[\(CNBC\) Battle Over Financial Reform Heats Up on Capitol Hill](#)  
[\(CNNMoney\) Senate panel mulls consumer protection deal](#)  
[\(ComputerWorld\) Cyberattacks raise e-banking security fears](#)  
[\(DSNews\) HOPE NOW Expands HOPE LoanPort](#)  
[\(DS News\) HOPE NOW Helps Almost 2,100 Troubled Borrowers in February](#)  
[\(Financial Times\) Big bank oversight to stay with Fed](#)  
[\(Finance and Commerce\) Mortgage foreclosure sales increasingly delayed as federal program offers alternative](#)  
[\(Financial Times\) Plans for Fed link to CFPA draw fire](#)  
[\(Forbes\) Obama-fying The Fed?](#)  
[\(Hartford Courant\) Dodd: Not Giving Up On Financial Services Reform](#)  
[\(Herald Tribune\) Cruz: Automatic saving is a painless way to build emergency and retirement funds](#)

[\(The Hill\) Blizzard of bad jobs news to hit Friday](#)  
[\(The Hill\) Webb targets bonuses](#)  
[\(Huffington Post\) Another Wall Street Bonus Tax Falter in Congress](#)  
[\(Huliq News\) Hope Now Joins Forces With Other Foreclosure Prevention Programs](#)  
[\(Information Security\) Email authentication methods critical in fight against phishing](#)  
[\(Insurance News\) BancorpSouth Chairman & CEO Aubrey Patterson Named to Board of the Financial Services Roundtable](#)  
[\(Investment Executive\) Dodd proposes overhaul of U.S. financial regulation](#)  
[\(The Jacksonville Observer\) Research Says Overdraft Limits Won't Hurt Banks](#)  
[\(KCRW\) Whatever Happened to Finance Reform?](#)  
[\(KNXV ABC15\) FREE seminar for Arizona homeowners in trouble](#)  
[\(KOLD News 13\) Help offered to struggling home owners](#)  
[\(LA Times\) Plan to push financial reform bill forward could be giant step back](#)  
[\(LifeandHealthInsuranceNews\) House Approves Recreation of NARAB](#)  
[\(MarketDigest\) New Card Act Disclosures](#)  
[\(Marketplace\) Data shows rise in financial lobbying](#)  
[\(National Journal\) Congress Daily AM Edition: American Association of People with Disabilities Reception](#)  
[\(National Journal\) Finance Lobby: Regulate, Don't 'Overregulate'](#)  
[\(National Journal\) Q&A: Warner, Corker On Financial Reform](#)  
[\(National Mortgage Professional\) Robert Griffith named EVP/COO of Radian's mortgage insurance business arm](#)  
[\(NPR\) How Eliminating Overdraft Fees Could Cost You](#)  
[\(NPR\) Overhaul Rules Stuck On Financial Protection Agency](#)  
[\(NPR\) Overhaul Rules Stuck On Financial Protection Agency](#)  
[\(NYT\) So Where's Consumer Protection?](#)  
[\(Pittsburg Tribune-Review\) Rule draft eases market impact](#)  
[\(Portfolio.com\) Dodd Finance Reform Plan Finally Hits](#)  
[\(PR Newswire\) New CARD Act Disclosures](#)  
[\(PRNewswire\) The American Irish Historical Society Names BNY Mellon Chairman and CEO Robert P. Kelly 2010 Gold Medal Honoree](#)  
[\(Register Guard\) State's distressed homeowners urged to be wary](#)  
[\(Reuters\) Financial firms fight for Fed to keep supervision](#)  
[\(Reuters\) Wall Street's lobbyists deserve their bonuses](#)  
[\(Roll Call\) Financial Groups Mobilize Against Bill](#)  
[\(SacramentoBee\) Hundreds seek mortgage relief at workshop](#)  
[\(San Francisco Chronicle\) Congress battling over consumer agency](#)  
[\(Small Business CEO\) Small Business Owners: Beware of Fraud](#)  
[\(Star Tribune\) 'Move Your Money' campaign wants to sock it to big banks](#)

[\(UPI\) Economic Outlook: March Madness](#)

[\(USAToday\) Limits on overdraft fees won't cripple banks, research says](#)

[\(USA Today\) Senate reins in finance reform, works on compromise](#)

[\(USHour\) Senate panel mulls consumer protection deal](#)

[\(Washington Post\) Senate financial bill appears likely to keep Fed as regulator of big banks](#)

[\(The Washington Post\) State attorneys general vie for stronger consumer protection role](#)

[\(The Washington Post\) Treasury data: Borrowers in government prevention plan still face foreclosure](#)

[\(WSJ\) Dodd's New Plan for Finance Rules Aims to Give More Muscle to Fed](#)

[\(WSJ Marketwatch\) Centene Corporation Announces Board Member Not Standing for Re-Election](#)

[\(WSJ Marketwatch\) John Stumpf Appointed to Target Corporation's Board of Directors](#)

[\(WSJ Marketwatch\) Radian Appoints Robert Griffith as Chief Operating Officer for Mortgage Insurance Business](#)

## **HOPE NOW Expands HOPE LoanPort**

**DS News**

**February 26, 2010**

**By Brittany Dunn**

As part of a coordinated plan to help as many homeowners as possible prevent foreclosure and stay in

**their homes, HOPE NOW, an industry-created alliance of mortgage servicers, investors, counselors, and other mortgage market participants, recently announced that it has expanded the HOPE LoanPort through its housing counselor partners in 25 states and more than 100 cities.**

HOPE LoanPort gives HUD-approved counselors the ability to submit completed Home Affordable Modification Program (HAMP) applications directly to a homeowner's servicer, and the Web portal allows counselors to track the status of the application in order to provide borrowers with more timely decisions.

As part of this expansion, Home Free USA has signed 32 affiliates, and NeighborWorks America has participation commitments from five of its affiliates. In addition, Consumer Credit Counseling Services (CCCS) of Atlanta, with 30

offices in four states in the Southeast, and CCCS of Dallas, with 21 offices in three states in the Southwest, will also participate in helping homeowners through the HOPE LoanPort.

“The increase in Home Free USA and NeighborWorks America affiliates as well as CCCS of Atlanta and CCCS of Dallas signing on to HOPE LoanPort speaks volumes to the success of this important tool in helping housing counselors better assist people in danger of losing their home,” said Faith Schwartz, executive director of HOPE NOW.

The HOPE LoanPort program began in December 2009 in nine key markets with HOPE NOW’s housing counselor partners. The alliance expects continued growth in the number of HUD-approved housing counseling agencies participating in its Web portal, and it also anticipates an increase in servicer involvement. In fact, HOPE NOW said its program is currently being tested by several banks.

“We have received very positive feedback from servicers and counselors,” said Sanjeev Dahiwadkar CEO and founder of IndiSoft LLC, technology provider to the HOPE LoanPort. “We are hearing that HOPE LoanPort eases the traffic jams that in the past tied up the system, most specifically getting documents in a piecemeal way or not at all. This translates into easier, faster decisions which reduces borrower frustration and gets them what they need — help.”

### **Hundreds seek mortgage relief at workshop**

**The Sacramento Bee**

**February 27, 2010**

**By Mark Glover**

Hundreds of area homeowners poured into the Sacramento Convention Center on Friday with tales of financial distress, worry, fear and anger.

They were looking for hope at an eight-hour foreclosure prevention workshop matching up borrowers with more than a dozen mortgage lenders and nonprofit home loan counselors.

About 300 people were in line when the doors opened at 12:45 p.m. Some cradled stacks of home and loan documents in their arms; others dragged small carry-on bags behind them.

One of those in line, Peggy Tripp, said, "I just don't know who else to turn to. Nobody else will talk with me. So I'm hoping I can get some satisfaction here today."

Tripp, a mother of three, said she has no financial reserves remaining to save her home.

Mary Pendleton, who said she lives in the Rosemont area east of downtown Sacramento, said she has been struggling to make a \$2,200-a-month payment "for a long time, long before all this began. We don't have any savings left."

Bob Tull of the El Dorado County community of Cool said he was hoping to get his nearly \$3,000-a-month payment modified, having "burned through about all I have." Tull said he worked more than 30 years as a contractor, and now he's delivering mail to help out.

Several attendees openly expressed anger.

One man randomly told passers-by that he had been "scammed" by his bank. Another carried a small, handmade sign that read, "Why bail out banks when they won't bail out us?"

Lenders attending Friday's gathering included Bank of America, Wells Fargo, JPMorgan Chase, Citi, GMAC, HomeEq, PNC, Select Portfolio, Saxon, Suntrust and Ocwen.

Workshop organizers said lenders mailed invitations to borrowers, but Jonelle Smith of Sacramento said she showed up with home loan documents "because a friend of mine told me this was going on. ... I'm hoping to get some help from somebody, anybody."

A couple of hours later, a disconsolate Smith walked away, saying, "I couldn't get help today."

The workshop was a repeat of a December 2008 convention center event that attracted more than 1,000 area borrowers to visit with representatives of 19 lenders. Back then, some borrowers reported help on the spot and others remained frustrated.

Friday's event was a collaboration that included the U.S. Treasury, the U.S. Department of Housing and Urban Development, the Obama administration's Making Home Affordable program, the Hope Now Alliance and NeighborWorks America.

**The Hope Now Alliance includes counselors, mortgage companies, investors and other mortgage market participants that help homeowners who may not be able to pay their mortgages. NeighborWorks America is a national**

**nonprofit organization created by Congress to provide financial support, technical assistance and training for community-based revitalization efforts. Both are based in Washington, D.C.**

Andrea Risotto, a spokeswoman with the U.S. Treasury Homeownership Preservation Office, said she was hopeful some attendees could get loan modifications on-site or within a short amount of time.

"It's also important that they've come here to get help ... bring their paperwork and start that process," she added. "I know that some (attendees) have not talked to their lender ... so just getting their foot in the door is a start."

Risotto said some homeowners who attended Friday's workshop but need follow-up visits with paperwork or other issues will be asked to return today for additional help.

**Eric Selk, director of outreach with the Hope Now Alliance, said organizers also were warning homeowners to avoid people seeking payment to rework loans or modify foreclosures.**

"We know that's been happening in California," he said. "... There are unscrupulous operators out there. The (services) here are free."

Friday's workshop commenced amid some progress.

The U.S. Treasury said mortgage lenders permanently modified 116,297 home loans nationwide in January, far exceeding 66,465 in December and 31,382 in November. About 20 percent of the January modifications were in California.

The federal government and various agencies are encouraging lenders to reach out to distressed homeowners, particularly in California, where the real estate crisis has had a profound impact.

The California Association of Realtors said this week that 67 percent of all home sellers in California in 2009 did so as a result of difficulties related to meeting their mortgage obligations.

**Senate panel mulls consumer protection deal**  
**CNNMoney**  
**March 2, 2010**  
**By: Jennifer Liberto**

The Senate might break its impasse on financial overhaul if it moves forward with a proposal that would put a consumer financial protection watchdog inside the Federal Reserve.

But such a move could water down the impact of a such a consumer watchdog, especially when compared to the stand-alone agency first proposed by President Obama. It would also be a big reversal for the Senate Banking committee, which has accused the Fed of letting down consumers, contributing to the economic meltdown.

Housing a new consumer regulator in the Fed is not set in stone, but lawmakers on the Senate Banking panel are talking it over these next few days, say sources who are not authorized to speak about the negotiations.

Protecting consumers who buy financial products like mortgages, credit cards and even auto loans has been the big sticking point holding up Senate progress on legislation to overhaul the financial system.

Senate banking Chairman Chris Dodd, D-Conn., has been working with Sen. Bob Corker, R-Tenn., on consumer protection, after it became clear that Dodd couldn't make headway with the ranking Republican member on that panel, Sen. Richard Shelby, R-Ala.

The new consumer protection proposal is poised to, again, delay the Senate banking panel from releasing final draft legislation until later this week or early next week, sources say. While the Senate has been working for months on the issue with little success, the House has already passed legislation, which includes a stand-alone consumer agency.

Hoping to push things along, Dodd conceded that the agency didn't have to stand alone, as long as it had teeth. Committee staff have also said that Dodd has been less concerned about where the agency is housed and more concerned with how much power, independence and funding the regulator would have.

Details about that have yet to be released. What is known is the new consumer regulator would write rules governing financial products like mortgages and credit cards.

Bank lobbying groups and banking analysts are withholding final judgment until they see details, but some signaled tentative support for the general idea of housing a consumer regulator at the Fed. Their position has been to fight anything that separates consumer protection from those who watch for the safety and soundness of banks.

**"Structurally speaking, the idea has merit," said Scott Talbott, chief lobbyist for the Financial Services Roundtable, a bank lobbying group.**

But most consumer groups called the idea of moving a new consumer regulator into the Fed a "grave mistake."

They point out that the Fed's failure on consumer protection is exactly what prompted the push for a new consumer protection regulator in the first place.

"It would belie common sense to even make that suggestion, given the history of the Fed in not enforcing the fair lending and consumer protection laws that were already under its aegis," said John Taylor, president of the National Community Reinvestment Coalition.

"It's time for Senator Dodd to stop negotiating with Senators who have dug into battle trenches with the big banks in their attempt to block any meaningful consumer protections, and move a bill that will give the rest of the Senate a chance to vote for Main Street and support real reform," said Carmen Balber, Washington director for Consumer Watchdog, an advocacy group.

## **Data shows rise in financial lobbying**

### **Marketplace**

**March 2, 2010**

**By Brett Neely**

The financial industry spent nearly \$500 million sending lobbyists to Capitol Hill last year, and some analysts say that number is set to go higher in 2010. Brett Neely explores how this spending has paid off on influencing legislation.

Steve Chiotakis: There could be a deal in the Senate on Wall Street regulations, and it involves a proposed new entity inside the Federal Reserve to oversee consumer financial products. Now some supporters of financial regulatory reform, including President Obama, wanted a separate agency to do that, but the idea never really got off the ground. Maybe, maybe it was a lobbying blitz by the financial industry that had something to do with it. Here's reporter Brett Neely with more.

---

Brett Neely: If you want to sink an idea in Washington these days, an attack ad can help. This one, funded by the Chamber of Commerce, says small business owners are already sleepless due to the economy:

SCARY AD: Now Washington wants to make it worse with the CFPA, a massive new federal agency that will create more layers of regulation and bureaucracy.

Ads like this are the tip of the iceberg when it comes to influencing lawmakers. The financial industry spent nearly \$500 million sending lobbyists to Capitol Hill last year.

Dave Levinthal is with the Center for Responsive Politics:

Dave Levinthal: Despite the economy being as rotten as it was in 2009, they spent more money on lobbying in 2009 than they even did in 2008, which to a lot of people is pretty remarkable.

And he says they're on track to spend even more this year.

Then there's campaign contributions. The financial industry has already given over \$100 million to congressional election campaigns this November. The center's data shows that in 2009, the industry gave Democrats \$58 million and Republicans \$44 million.

Democrat Chris Dodd and Republican Richard Shelby run the Senate Banking Committee. They've pulled in a combined \$20 million from the industry over the course of their careers.

**Are the banks getting what they want from the bill? Scott Talbott lobbies for the Financial Services Roundtable:**

**Scott Talbott: We're pleased with the trend in the way the discussions are going.**

And it's not just banks that are lobbying against a regulator to protect consumers. Some of the other groups that have lobbied against the idea include McDonalds, Wal-Mart and the Society of American Florists.

In Washington, I'm Brett Neely for Marketplace.

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

**Radian Appoints Robert Griffith as Chief Operating Officer for Mortgage Insurance Business**

**Wall Street Journal Market Watch**

**March 2, 2010**

Radian Group Inc. today announced that it has appointed Robert Griffith as Executive Vice President and Chief Operating Officer for Radian Guaranty Inc., its principal mortgage insurance subsidiary. In this position, Mr. Griffith will lead the company's operations, loss management and information technology functions. He will report directly to Radian Guaranty President Teresa Bryce.

"Bob is well known and respected in the mortgage industry and we are delighted to welcome him to the Radian team," said Ms. Bryce. "His experience in leading successful mortgage operations for top lenders will strengthen the functions most critical to our mortgage insurance business today."

Mr. Griffith has more than 20 years of experience in mortgage banking. Most recently, he served as senior vice president for Bank of America, where he was responsible for a nationwide network of loan fulfillment centers providing underwriting, processing and loan funding services. Prior to that, he was president and chief executive officer for Irwin Mortgage Corporation.

**Mr. Griffith has served as a director of the Mortgage Bankers Association, and as chairman of its Residential Board of Governors. He has been a member of both the Fannie Mae National Advisory Council and the Housing Policy Council of the Financial Services Roundtable. Mr. Griffith holds a J.D. from Duke University and a B.S. in Economics from James Madison University.**

**Senate panel mulls consumer protection deal  
US Hour  
March 2, 2010**

The Senate might break its impasse on financial overhaul if it moves forward with a proposal that would put a consumer financial protection watchdog inside the Federal Reserve.

But such a move could water down the impact of a such a consumer watchdog, especially when compared to the stand-alone agency first proposed by President Obama. It would also be a big reversal for the Senate Banking committee, which has accused the Fed of letting down consumers, contributing to the economic meltdown.

Housing a new consumer regulator in the Fed is not set in stone, but lawmakers on the Senate Banking panel are talking it over these next few days, say sources who are not authorized to speak about the negotiations.

Protecting consumers who buy financial products like mortgages, credit cards and even auto loans has been the big sticking point holding up Senate progress on legislation to overhaul the financial system.

Senate banking Chairman Chris Dodd, D-Conn., has been working with Sen. Bob Corker, R-Tenn., on consumer protection, after it became clear that Dodd couldn't make headway with the ranking Republican member on that panel, Sen. Richard Shelby, R-Ala.

The new consumer protection proposal is poised to, again, delay the Senate banking panel from releasing final draft legislation until later this week or early next week, sources say. While the Senate has been working for months on the issue with little success, the House has already passed legislation, which includes a stand-alone consumer agency.

Hoping to push things along, Dodd conceded that the agency didn't have to stand alone, as long as it had teeth. Committee staff have also said that Dodd has been less concerned about where the agency is housed and more concerned with how much power, independence and funding the regulator would have.

Details about that have yet to be released. What is known is the new consumer regulator would write rules governing financial products like mortgages and credit cards.

Bank lobbying groups and banking analysts are withholding final judgment until they see details, but some signaled tentative support for the general idea of housing a consumer regulator at the Fed. Their position has been to fight anything that separates consumer protection from those who watch for the safety and soundness of banks.

**“Structurally speaking, the idea has merit,” said Scott Talbott, chief lobbyist for the Financial Services Roundtable, a bank lobbying group.**

But most consumer groups called the idea of moving a new consumer regulator into the Fed a “grave mistake.”

They point out that the Fed's failure on consumer protection is exactly what prompted the push for a new consumer protection regulator in the first place.

“It would belie common sense to even make that suggestion, given the history of the Fed in not enforcing the fair lending and consumer protection laws that were already under its aegis,” said John Taylor, president of the National Community Reinvestment Coalition.

“It’s time for Senator Dodd to stop negotiating with Senators who have dug into battle trenches with the big banks in their attempt to block any meaningful consumer protections, and move a bill that will give the rest of the Senate a chance to vote for Main Street and support real reform,” said Carmen Balber, Washington director for Consumer Watchdog, an advocacy group

## **Plans for Fed link to CFPA draw fire**

**Financial Times**

**March 2, 2010**

**By Tom Braithwaite**

Democrats led by Barney Frank on Tuesday slammed a proposal to grant additional consumer protection powers to the Federal Reserve, as the latest idea designed to unlock talks in the Senate appeared destined for the scrap heap.

Mr Frank, chairman of the House financial services committee, described the plan as a “joke” in language that pits him against Chris Dodd, his Democratic counterpart in the Senate.

The Fed had appeared to be enjoying a surprising political renaissance when the proposal, which emerged after talks between Mr Dodd, chairman of the Senate banking committee, and Bob Corker, his Republican negotiating partner, came to light on Monday.

Mr Dodd has been struggling to find a compromise acceptable to Republicans amid hostility to a strong stand-alone Consumer Financial Protection Agency (CFPA), which was proposed by the Obama administration as a way to prevent the mis-selling of products such as credit cards and mortgages.

After other Democrats on the banking committee and beyond got wind of the plan to house the authority in the Fed, there was an immediate backlash that further clouds the prospects for financial regulatory reform.

The Fed has been under attack from Congress for months, with its bank supervision role, immunity from complete congressional audits and the election of members of regional boards all threatened by legislative proposals.

While the Fed has managed to fend off much of the criticism, with the strong support of Tim Geithner, Treasury secretary, the central bank was expected to have to give up its consumer protection remit.

Parts of the financial industry have welcomed the proposals, which go a long way to meeting the objection that a regulator charged with ensuring safety and soundness should not have to battle a separate regulator pushing a pro-consumer agenda.

**“We still need to see the final details, but have long supported housing consumer protections with prudential regulation for safety and soundness in the same regulator,” said Scott Talbott, vice-president for government relations at the Financial Services Roundtable, a forum for the sector’s leaders.**

But the US Chamber of Commerce – which has spent millions of dollars opposing the creation of the CFPB and claims it would increase the cost of doing business, with knock-on effects for the cost of credit to individuals and businesses – said it remained dissatisfied.

Senate aides continued to work on different areas of financial regulatory reform legislation last night but the CFPB stands in the way of publishing a bill that had been expected as soon as Thursday.

Aside from the home of the enhanced consumer authority, the scope of its powers are also under debate inside and outside Congress.

“A lot of the debate and focus on the CFPB is misdirected,” said Richard Neiman, superintendent of banks for the state of New York. “A lot of the focus is on where the agency is going to be located and a focus on product terms. Both of those don’t get to the real issue.”

He said institutions should be required to consider whether a customer had the ability to repay a loan and it was crucial that any new federal agency did not have wide-ranging “pre-emption” powers to prevent states taking tougher action.

### **Obama-fying The Fed?**

**Congress and K Street are the real threats to reshape the central bank, not the president.**

**Forbes**

**March 2, 2010**

**By Brian Wingfield**

With big changes afoot at the Federal Reserve, the nation's capital is suddenly abuzz with chatter that President Barack Obama will have significant influence over the central bank's future.

Not only is Congress considering shaking up the Fed's regulatory duties, Obama will have the opportunity to appoint three new members of the bank's Board of Governors, due to two vacancies and the recent announcement that Fed Vice Chairman Donald Kohn will step down in June.

Talk about the administration's influence is overblown, says former Dallas Fed President (and Forbes.com contributor) Bob McTeer. "It's been my experience that once somebody comes to the Board of Governors, they sort of become technocrats," he says, adding that most decisions by the board are made after much discussion by the governors and briefings by well-informed Fed staff. "I think the fact that Obama will be making the appointments will not make a lot of difference."

**In fact, more influence over the central bank is likely to lie with lobbyists and lawmakers. Members of the Senate Banking Committee have been considering a deal that would establish a consumer protection division--headed by a political appointee--within the Federal Reserve. Such an agreement would keep financial products and banks under the same regulator, a position supported by the Financial Services Roundtable, an industry group whose members include heavyweights like Bank of America, Citigroup and Nationwide.**

But K Street is also eyeing the compromise with caution, for a variety of reasons. Ryan McKee, senior director of the U.S. Chamber of Commerce's Center for Capital Markets, says the chamber is concerned about overlapping authority with other regulators, no matter which agency houses the consumer protection agency. John Taylor, president and chief executive of the National Community Reinvestment Coalition, calls the plan a "waste of taxpayers' money" since the Fed has a track record of laxity in enforcing its existing authority.

"Had the Fed exercised their authority and enforced consumer protections, they could have nipped the foreclosure crisis in the bud," says Taylor.

Despite the reported deal, both sides are likely to have plenty of time to make their cases. Even if senators can finalize a deal soon on the structure of a consumer protection authority--and that's a big if--it could be weeks before a financial regulatory bill comes to the Senate floor for a vote. Then the Senate's bill would have to be reconciled with the House of Representatives' somewhat different financial regulatory overhaul bill, passed in December--also a potentially lengthy and difficult process.

Meantime, watch out for too much meddling from members of Congress. "They really don't arm themselves with much information and understanding" on

financial issues, says McTeer. Of particular concern, he says, the possibility of an audit of the Fed's monetary policy by the Government Accountability Office. Such a proposal was part of the House-passed financial regulatory bill in December.

"That's just sending somebody in to second guess the monetary policy decisions," says McTeer.

## **Wall Street's lobbyists deserve their bonuses**

**Reuters**

**March 2, 2010**

**By James Pethokoukis**

America's big banks aren't being broken up. Nor does it appear there will be strict new limits on their activities. And while lenders may have to cope with a new consumer regulator, its power and scope is evanescent daily. If there is any group from Wall Street deserving of fat bonuses this year, it's the industry's lobbyists in Washington.

The banks smartly recognized regulatory reform was inevitable after the greatest financial meltdown since the Great Depression. So rather than try to stop it, the industry helped mold and massage any changes into a shape it could tolerate. And early indications from Congress suggest they've been successful.

**Wall Street's crew on K Street, lobbyists' answer to advertising's Madison Avenue, has been formidable. It includes the American Bankers Association, the Financial Services Roundtable, the Financial Services Forum and the U.S. Chamber of Commerce. They set their sights early on a White House proposal to create a powerful and independent Consumer Financial Protection Agency.**

The lobbyists have successfully scaled back various iterations of the plan. One would make the regulator part of the Treasury Department, and force it to consult with existing watchdogs before imposing restrictions. Republican alternatives are even weaker, alternately housing a consumer unit either in the Federal Deposit Insurance Corp or the Federal Reserve. Expect a diluted compromise between diluted compromises — just as seems the case for the “Volcker Rule” to limit proprietary trading by banks.

Other lobbying successes abound. The Independent Community Bankers of America, which advocates for smaller lenders, helped force mega-banks to pre-fund any future possible bailouts. The Securities Industry and Financial Markets Association, along with the insurance industry, derailed strict Senate regulation of retail investment brokers.

Though the bankers' advocates in Washington have done well, their work has been caught out in one regard. The International Monetary Fund recently found that banks that invested more to influence policy over the past decade were more likely to take more securitization risks, have larger loan defaults and sharper stock falls during key points of the crisis. The lobbyists may find much of their upcoming lobbying is focused on next year's bonus.

**Robert Griffith named EVP/COO of Radian's mortgage insurance business arm**

**National Mortgage Professional**

**March 2, 2010**

Radian Group Inc. has announced that it has appointed Robert Griffith as executive vice president and chief operating officer of Radian Guaranty Inc., its principal mortgage insurance subsidiary. Griffith will lead the company's operations, loss management and information technology functions. He will report directly to Radian Guaranty President Teresa Bryce.

"Bob is well-known and respected in the mortgage industry and we are delighted to welcome him to the Radian team," said Bryce. "His experience in leading successful mortgage operations for top lenders will strengthen the functions most critical to our mortgage insurance business today."

Griffith has more than 20 years of experience in mortgage banking. Most recently, he served as senior vice president for Bank of America, where he was responsible for a nationwide network of loan fulfillment centers providing underwriting, processing and loan funding services. Prior to that, he was president and chief executive officer for Irwin Mortgage Corporation.

**Griffith has served as a director of the Mortgage Bankers Association (MBA), and as chairman of its Residential Board of Governors. He has been a member of both the Fannie Mae National Advisory Council and the Housing Policy Council of the Financial Services Roundtable. He holds a JD from Duke University and a BS in economics from James Madison University.**

**Consumer Agency Within Fed Seen as Victory for Banking Industry**

**Bloomberg**

**March 3, 2010**

**By Craig Torres and Yalman Onaran**

For consumer advocates, housing a new agency to protect Americans from financial-product abuse within the Federal Reserve would be a defeat after lobbying for an independent body. For banks, it would represent a victory.

Barney Frank, Chairman of the House Financial Services Committee, called a Senate plan to house the proposed Consumer Financial Protection Agency at the Fed “a joke.” Shielding consumers from harmful financial products is “the most conspicuous failure by the Fed,” Frank said in an interview yesterday.

Banks say placing the agency with the Fed alleviates their concern that an independent entity would ignore the health of the financial system. Consumer advocates say it’s a mistake because the Fed didn’t succeed in curbing abuses during the subprime lending boom that contributed to the worst financial crisis since the Great Depression.

“We have all sorts of individual agencies that protect Americans, and none of them is subservient to the regulator that is in charge of looking out for the industry,” said Lauren Saunders, managing attorney at the National Consumer Law Center in Washington. “This agency has to be independent so that it can fix the problems the banking regulators failed to fix.”

The Obama administration’s proposal for a consumer protection agency is part of the biggest overhaul of financial regulation since the 1930s. Putting it inside the Fed, instead of creating a standalone bureau, was a compromise proposed by Senator Bob Corker, a Tennessee Republican, and Banking Committee Chairman Christopher Dodd, a Connecticut Democrat.

### Joining in Criticism

Frank, who oversaw legislation passed by the House in December that would create an independent agency, said the chamber wouldn’t accept the proposed deal. Senators joined in the criticism yesterday.

Jeff Merkley of Oregon said the Fed had an “abysmal” record on consumer protection. Richard Shelby, the top Republican on the Banking committee, said the entity shouldn’t be autonomous within the Fed. “If you have something at the Federal Reserve, the Board of Governors ought to have the control,” he said.

Federal Reserve spokeswoman Susan Stawick declined to comment yesterday.

Banking lobbyists say the Fed’s knowledge of the banking system makes it well-suited to coordinate rules on credit cards and other consumer financial products.

Connected to Regulation

**“Regulation of the products should be connected to the regulation of the bank,” said Scott Talbott, senior vice president of government relations for the Financial Services Roundtable, which represents the largest financial institutions.**

**The financial-services industry has lobbied lawmakers to defeat the plan for a consumer agency. JPMorgan Chase & Co. Chief Executive Officer Jamie Dimon called the agency “just a whole new bureaucracy” on a December conference call with analysts.**

The American Bankers Association, the largest trade group representing banks, organized hundreds of meetings with its members and Congressmen and spearheaded a campaign that encouraged almost 300,000 letters to be sent to Capitol Hill, all in opposition to the CFPA. ABA spokesman John Hall said the organization wouldn't comment on the Fed idea until the proposal became official.

Consumer advocates say the Fed didn't use its authority to put in place stronger protections for home buyers as the subprime mortgage market began to expand earlier this decade. The Fed has the broadest authority of any regulator to write rules on lending practices and disclosure.

More Clout

The Fed's specific enforcement authority is limited to 800 state member banks. It wields much more clout as the supervisor of bank holding companies, such as Bank of America Corp., some of which had subprime mortgage lending subsidiaries.

Some \$600 billion in subprime mortgages were originated in 2006, up from \$310 billion in 2003, according to Inside Mortgage Finance, a trade publication. The Federal Reserve began to hold hearings around the country in 2006, and consumer advocates provided details of abuse, transcripts from the meetings show.

“We were yelling at them in 2001 and 2002” to use their authority, says Michael Calhoun, president of the Center for Responsible Lending in Durham, North Carolina and the current chairman of the Fed Board's Consumer Advisory Council. “It wasn't like people didn't know this stuff was going on.”

Edward Gramlich, a Fed Governor from 1997 to 2005, proposed that the Fed use its bank holding company authority to examine subprime lending subsidiaries. The proposal was opposed by then- Chairman Alan Greenspan, he said, and never went

to the Board of Governors. Gramlich died in September 2007. Greenspan in the past has declined to comment.

### Subprime Casualties

Among the subprime casualties on Wall Street: Bear Stearns Cos., acquired by JPMorgan Chase & Co. with help from the Fed, Merrill Lynch & Co., taken over by Bank of America Corp., and Lehman Brothers Holdings Inc., which went bankrupt.

Fed Chairman Ben S. Bernanke began to step up restrictions on subprime lending only after Congress threatened to strip the Fed of its authority. In a June 2007 hearing, Frank told then-governor Randall Kroszner: "Use it or lose it."

"If the Fed doesn't start to use that authority to roll out the rules, then we'll give it to somebody who will," Frank said.

The Fed drafted tougher mortgage lending rules in 2007 and completed them in 2008. The rules prevented mortgages for borrowers with no documented income, required lenders to write loans borrowers could repay, and made escrow accounts mandatory for high-cost mortgages. The Fed also toughened restrictions on prepayment penalties.

### Credit-Card Disclosure

Separately, the Fed has forced credit-card companies to improve disclosure and has increased its scrutiny of possible discrimination in lending. The central bank referred 17 cases to the Justice Department in the three-year period ending 2009, up from nine the prior three years.

The Fed's actions came too late, consumer advocates say.

Subprime mortgage delinquencies rose to 25 percent of the total at the end of 2009, from 10 percent at the end of 2004, according to Mortgage Bankers Association data. Total home loans in foreclosure rose to 4.6 percent from 1.2 percent.

"We have the track record of them failing to take action when they should have and potentially could have averted this foreclosure crisis," said John Taylor, president and chief executive officer of the National Community Reinvestment Coalition in Washington, a group of 600 organizations promoting fair lending.

The action the Fed does take against banks is often kept secret.

“When examiners identify banks with weak and ineffective compliance programs, they document the weaknesses in the examination report and take appropriate supervisory action,” Fed governor Elizabeth Duke, who served as Chairman of the American Bankers Association from 2004 to 2005, testified before the House Financial Services Committee last March.

Because “most banks voluntarily address any violations and weaknesses,” she said, “we find public formal actions are not typically necessary.”

## **Webb targets bonuses**

**The Hill**

**March 3, 2010**

**By Ian Swanson**

Sen. Jim Webb (D-Va.) wants to take a bite out of the bonuses paid out by Wall Street.

He’s proposing a 50 percent tax on bonuses above \$400,000 that were paid to executives of financial institutions that received \$5 billion or more in bailout money. Only bonuses paid in 2010 for work in 2009 would be covered, according to Webb’s office.

“I intend to seek a vote on this measure as a matter of basic fairness to the American taxpayers who enabled these financial institutions to again become profitable,” Webb said in an e-mail.

The tax would hit big banks like Goldman Sachs as well as executives at Fannie Mae and Freddie Mac.

Public anger over Wall Street bonuses is on the rise after banks reported high profits and a new round of bonuses at the beginning of the year.

Goldman Sachs, for example, is paying out \$16.2 billion in salaries and bonuses for 2009. That means employee bonuses will average around \$500,000, though some will make much more than that figure and some much less.

Under Webb’s measure, a \$1 million bonus would be hit with a \$300,000 tax. The first \$400,000 of the bonus would be exempt from the tax, which would be applied to the remaining \$600,000.

Webb is offering the measure as an amendment to tax legislation on the Senate floor this week.

Bank lobbyists expect to be on the defense from similar proposals all year. It could hit a peak if the financial regulatory reform bill gets to the Senate floor.

**“It’s easy to demagogue the banking industry right now,” said Scott Talbot, senior vice president for government affairs at the Financial Services Roundtable.**

Webb isn’t up for reelection until 2012, but co-sponsor Sen. Barbara Boxer (D-Calif.) faces a competitive challenge this year.

Webb defended his proposal, saying it was not an example of “class warfare.”

“It is reasonable to ask those who are benefiting on Wall Street to help pay back the taxpayers whose investment made the success of these institutions possible,” Webb said.

**Financial firms fight for Fed to keep supervision**  
**Reuters**  
**March 3, 2010**

The trade groups, in a letter to the leaders of the Senate Banking Committee, said the Fed needs to retain its financial supervision authority to complement its monetary policy responsibilities.

**"We believe that these two responsibilities are essential duties of a central bank," according to the letter, which was signed by the American Bankers Association, the Financial Services Forum, the Financial Services Roundtable, the Securities Industry and Financial Markets Association, the Independent Community Bankers of America, and the Consumer Bankers Association.**

Members of the Senate Banking Committee have discussed stripping the Fed of its supervisory powers, saying it should focus on its monetary policy duties. The proposal has been part of the congressional effort to revamp how financial firms and markets are regulated in the wake of the severe financial crisis.

The Fed has vigorously fought to retain its supervisory role.

"While improvements are undoubtedly called for, changes that undermine either the independence of monetary policy or the Federal Reserve's supervision of financial institutions will lead to a weaker financial regulatory system," the letter said. (Reporting by Karey Wutkowski, editing by Maureen Bavdek)

**Blizzard of bad jobs news to hit Friday**  
**The Hill**  
**March 3, 2010**  
**By: Ian Swanson**

The White House is bracing for an ugly unemployment report on Friday that is expected to be worse because of the three winter storms that hit the East Coast last month.

Goldman Sachs predicted the economy will lose as many as 100,000 jobs in February due to blizzard-like conditions that kept employers and prospective hires from getting to the office.

That could bump the 9.7 percent unemployment rate closer to 10, dealing a blow to Democrats hoping for a steady economic recovery in the months leading up to November's midterm elections.

Economic officials on Monday were already spinning expectations for the report, saying it would be important to look past February's figures to the "underlying trends," according to White House economic adviser Larry Summers.

"The blizzards that affected much of the country during the last month are likely to distort the statistics," Summers told CNBC.

Weekly figures suggest job losses are continuing. Unemployment claims jumped up 22,000, to 496,000 for the week of Feb. 20, and the four-week average of claims also rose by 6,000.

Teasing out the impact of severe storms on national hiring trends is a complex endeavor, but the Goldman Sachs report said storms and cold weather can both delay hiring. It looked at past snowstorms in making its estimate, particularly the 1996 snowstorm that shut down much of the East Coast.

The negative impact of the bad weather will be partially offset by U.S. Census hiring, likely about 30,000 in February. That will continue to be a positive trend going forward.

Still, even with the Census hiring, the impact from the storm suggests job losses of between 50,000 and 100,000 in February. Goldman leans toward the higher end because the highest-impact February storm hit early in the month, similar to the pattern in 1996.

The good news? The forecast is for higher temperatures on the East Coast next week, and companies that put off hiring because of the bad weather will be looking to catch up.

Webb targets bonuses

Sen. Jim Webb (D-Va.) wants to take a bite out of the bonuses paid out by Wall Street.

He's proposing a 50 percent tax on bonuses above \$400,000 that were paid to executives of financial institutions that received \$5 billion or more in bailout money. Only bonuses paid in 2010 for work in 2009 would be covered, according to Webb's office.

"I intend to seek a vote on this measure as a matter of basic fairness to the American taxpayers who enabled these financial institutions to again become profitable," Webb said in an e-mail.

The tax would hit big banks like Goldman Sachs as well as executives at Fannie Mae and Freddie Mac.

Public anger over Wall Street bonuses is on the rise after banks reported high profits and a new round of bonuses at the beginning of the year.

Goldman Sachs, for example, is paying out \$16.2 billion in salaries and bonuses for 2009. That means employee bonuses will average around \$500,000, though some will make much more than that figure and some much less.

Under Webb's measure, a \$1 million bonus would be hit with a \$300,000 tax. The first \$400,000 of the bonus would be exempt from the tax, which would be applied to the remaining \$600,000.

Webb is offering the measure as an amendment to tax legislation on the Senate floor this week.

Bank lobbyists expect to be on the defense from similar proposals all year. It could hit a peak if the financial regulatory reform bill gets to the Senate floor.

**"It's easy to demagogue the banking industry right now," said Scott Talbot, senior vice president for government affairs at the Financial Services Roundtable.**

Webb isn't up for reelection until 2012, but co-sponsor Sen. Barbara Boxer (D-Calif.) faces a competitive challenge this year.

Webb defended his proposal, saying it was not an example of "class warfare."

"It is reasonable to ask those who are benefiting on Wall Street to help pay back the taxpayers whose investment made the success of these institutions possible," Webb said.

### TARP nightmares

Dozens of freshman Democrats in the House could be haunted this fall by a vote they never took.

Congress approved the \$700 billion bailout of the financial sector in October 2008, a month before the election.

Since then, the bailout has stabilized the banking system, but public anger is high, with some voters seeing it as an example of the government helping Wall Street at the expense of middle-class taxpayers.

Worse yet, many people confuse the Troubled Asset Relief Program (TARP) with the \$787 billion stimulus, which passed in early 2009.

"It's clear that people don't distinguish between these things," said one Democratic strategist who believes the TARP will continue to hurt Democrats in the fall.

He noted that the defense for the stimulus and the TARP is that things would be worse without either. Objectively, that's true, the Democratic strategist said. But it's not a particularly compelling argument for angry voters.

Race ratings by The Hill's blog The Ballot Box show how difficult things are for the freshman Democratic class of 2008.

Two Democrats, Reps. Alan Grayson (Fla.) and Harry Teague (N.M.), are in seats rated "lean Republican." Ten other members of the class are in toss-up races.

Still, Grayson, for one, hasn't experienced any issues with TARP on the campaign trail, according to his spokesman, Todd Jurkowski. Grayson also has been very vocal in speaking out against the bailouts.

### **Consumer Agency Within Fed Seen as Victory for the Banks (Update 1)**

## **Bloomberg BusinessWeek**

**March 3, 2010**

**By: Craig Torres and Yalman Onaran**

For consumer advocates, housing a new agency to protect Americans from financial-product abuse within the Federal Reserve would be a defeat after lobbying for an independent body. For banks, it would represent a victory.

Barney Frank, Chairman of the House Financial Services Committee, called a Senate plan to house the proposed Consumer Financial Protection Agency at the Fed “a joke.” Shielding consumers from harmful financial products is “the most conspicuous failure by the Fed,” Frank said in an interview yesterday.

Banks say placing the agency with the Fed alleviates their concern that an independent entity would ignore the health of the financial system. Consumer advocates say it’s a mistake because the Fed didn’t succeed in curbing abuses during the subprime lending boom that contributed to the worst financial crisis since the Great Depression.

“We have all sorts of individual agencies that protect Americans, and none of them is subservient to the regulator that is in charge of looking out for the industry,” said Lauren Saunders, managing attorney at the National Consumer Law Center in Washington. “This agency has to be independent so that it can fix the problems the banking regulators failed to fix.”

The Obama administration’s proposal for a consumer protection agency is part of the biggest overhaul of financial regulation since the 1930s. Putting it inside the Fed, instead of creating a standalone bureau, was a compromise proposed by Senator Bob Corker, a Tennessee Republican, and Banking Committee Chairman Christopher Dodd, a Connecticut Democrat.

### **Joining in Criticism**

Frank, who oversaw legislation passed by the House in December that would create an independent agency, said the chamber wouldn’t accept the proposed deal. Senators joined in the criticism yesterday.

Jeff Merkley of Oregon said the Fed had an “abysmal” record on consumer protection. Richard Shelby, the top Republican on the Banking Committee, said the entity shouldn’t be autonomous within the Fed. “If you have something at the Federal Reserve, the Board of Governors ought to have the control,” he said.

Fed spokeswoman Susan Stawick declined to comment yesterday.

The Fed has an “innate conflict of interest” in trying to protect consumers while fulfilling its mission of safeguarding the rest of the financial system, billionaire George Soros said at a conference in New York today. “When Barney Frank called it a joke, I think he’s right,” Soros said.

### Banking Knowledge

Banking lobbyists say the Fed’s knowledge of the banking system makes it well-suited to coordinate rules on credit cards and other consumer financial products.

**“Regulation of the products should be connected to the regulation of the bank,” said Scott Talbott, senior vice president of government relations for the Financial Services Roundtable, which represents the largest financial institutions.**

The financial-services industry has lobbied lawmakers to defeat the plan for a consumer agency. JPMorgan Chase & Co. Chief Executive Officer Jamie Dimon called the agency “just a whole new bureaucracy” on a December conference call with analysts.

The American Bankers Association, the largest trade group representing banks, organized hundreds of meetings with its members and Congressmen and spearheaded a campaign that encouraged almost 300,000 letters to be sent to Capitol Hill, all in opposition to the CFPB. ABA spokesman John Hall said the organization wouldn’t comment on the Fed idea until the proposal became official.

### Subprime Mortgages

Consumer advocates say the Fed didn’t use its authority to put in place stronger protections for home buyers as the subprime mortgage market began to expand earlier this decade. The Fed has the broadest authority of any regulator to write rules on lending practices and disclosure.

The Fed’s specific enforcement authority is limited to 800 state member banks. It wields much more clout as the supervisor of bank holding companies, such as Bank of America Corp., some of which had subprime mortgage lending subsidiaries.

Some \$600 billion in subprime mortgages were originated in 2006, up from \$310 billion in 2003, according to Inside Mortgage Finance, a trade publication. The Fed began to hold hearings around the country in 2006, and consumer advocates provided details of abuse, transcripts from the meetings show.

## 'Yelling at Them'

"We were yelling at them in 2001 and 2002" to use their authority, says Michael Calhoun, president of the Center for Responsible Lending in Durham, North Carolina, and the current chairman of the Fed Board's Consumer Advisory Council. "It wasn't like people didn't know this stuff was going on."

Edward Gramlich, a Fed Governor from 1997 to 2005, proposed that the Fed use its bank holding company authority to examine subprime lending subsidiaries. The proposal was opposed by then- Chairman Alan Greenspan, he said, and never went to the Board of Governors. Gramlich died in September 2007. Greenspan in the past has declined to comment.

Among the subprime casualties on Wall Street: Bear Stearns Cos., acquired by JPMorgan Chase & Co. with help from the Fed, Merrill Lynch & Co., taken over by Bank of America, and Lehman Brothers Holdings Inc., which went bankrupt.

Fed Chairman Ben S. Bernanke began to step up restrictions on subprime lending only after Congress threatened to strip the Fed of its authority. In a June 2007 hearing, Frank told then- governor Randall Kroszner: "Use it or lose it."

## Using Authority

"If the Fed doesn't start to use that authority to roll out the rules, then we'll give it to somebody who will," Frank said.

The Fed drafted tougher mortgage lending rules in 2007 and completed them in 2008. The rules prevented mortgages for borrowers with no documented income, required lenders to write loans borrowers could repay and made escrow accounts mandatory for high-cost mortgages. The Fed also toughened restrictions on prepayment penalties.

Separately, the Fed has forced credit-card companies to improve disclosure and has increased its scrutiny of possible discrimination in lending. The central bank referred 17 cases to the Justice Department in the three-year period ending 2009, up from nine the prior three years.

The Fed's actions came too late, consumer advocates say.

Subprime mortgage delinquencies rose to 25 percent of the total at the end of 2009, from 10 percent at the end of 2004, according to Mortgage Bankers

Association data. Total home loans in foreclosure rose to 4.6 percent from 1.2 percent.

## Track Record

“We have the track record of them failing to take action when they should have and potentially could have averted this foreclosure crisis,” said John Taylor, president and chief executive officer of the National Community Reinvestment Coalition in Washington, a group of 600 organizations promoting fair lending.

The action the Fed does take against banks is often kept secret.

“When examiners identify banks with weak and ineffective compliance programs, they document the weaknesses in the examination report and take appropriate supervisory action,” Fed governor Elizabeth Duke, who served as chairman of the American Bankers Association from 2004 to 2005, testified before the House Financial Services Committee last March.

Because “most banks voluntarily address any violations and weaknesses,” she said, “we find public formal actions are not typically necessary.”

## **Limits on overdraft fees won't cripple banks, research says**

**USA Today**

**March 4, 2010**

**By: Kathy Chu**

A new rule limiting banks' ability to charge controversial overdraft fees isn't likely to cripple the industry's profitability, new research says.

The research — to be released Thursday by bank consulting firm Bretton Woods — is the latest to address the impact of pending Federal Reserve restrictions on the financial industry. These restrictions, which take effect in July, require banks and credit unions to get consumers' consent before charging them steep fees for paying debit card and ATM overdrafts.

Bretton Woods estimates that the Fed rule will cost banks and credit unions roughly \$7.3 billion in fee income, significantly less than other consultants' projections. In 2009, banks earned more than \$38 billion in overdraft fees, according to industry estimates. Overdrafts have become the single largest driver of consumer fee income, USA TODAY's research has found.

G. Michael Flores, founder of Bretton Woods, says that while the new rule represents a "watershed event" in regulation, it doesn't threaten most banks' viability because it limits only a "percentage of overdrafts, not all overdrafts."

Also, institutions are offsetting the rule's impact by raising existing bank fees or imposing new ones to recoup some lost overdraft income, Flores says.

Yet, if further restrictions are imposed on this income stream, the industry could see a "cascade" of small bank failures, Flores adds.

Adam Levitin, an associate professor at the Georgetown Law school, says banks have a right to make profits but they should have to do so fairly.

Banks "were profitable before they had the current level of overdraft income, and they can remain profitable even if it is reduced," says Levitin.

Consumer advocates say that the Fed rule is a good first step. But it doesn't prevent banks from charging overdraft fees on recurring debit card transactions — such as monthly bill payments — or on checks.

Banks can also continue to clear large transactions first, emptying the account quicker, and charge overdraft fees as high as they want.

President Obama has championed the creation of an independent Consumer Financial Protection Agency — a proposal now under consideration by the Senate — to regulate ongoing overdraft and credit abuses.

"Even with the (Fed rule) in place, there are a lot of abuses in the marketplace," says Leslie Parrish, a senior researcher at the Center for Responsible Lending, a consumer advocacy organization.

"There are still ways that banks can have their customers rack up hundreds of dollars in overdraft fees per day," Parrish says.

**Scott Talbott, senior vice president at the Financial Services Roundtable, which represents large banks, says the Fed's rule already gives consumers clear disclosures and more control over their fees. "There are always going to be people who, whatever the rules are, will say that more needs to be done," he says.**

**'Volcker Rule' Draft Signals Obama Wants to Ease Market Impact  
Bloomberg BusinessWeek  
March 4, 2010  
By: Rebecca Christie and Phil Mattingly**

The Obama administration's legislative draft of the so-called Volcker Rule incorporated exemptions that may ease the impact on financial markets should it be enacted.

President Barack Obama yesterday sent Congress the five- page proposal to ban proprietary trading and block mergers that give banks more than a 10 percent market share, as measured by liabilities other than insured deposits. It also would bar banks from owning or investing in hedge funds and private equity firms.

The rule, which is aimed at reducing the risk of another financial crisis, exempts mergers that exceed the market-share limit in cases when a firm acquires a failing bank with regulators' approval. Also left out are trading in Treasury and agency securities, including debt issued by Ginnie Mae, Fannie Mae and Freddie Mac.

Such exemptions may help to avoid market disruptions that could affect small investors, said Chris Rupkey, chief financial economist at Bank of Tokyo-Mitsubishi UFJ Ltd. in New York.

"The market is made up of many unseen hands with different objectives and investment horizons, and if you pull out the speculators making short term bets, like prop trading banks, then" an individual investor is "going to be the one who suffers," Rupkey said. Prop refers to proprietary trading.

In a memo accompanying the plan, the administration said it doesn't want to interfere with market-making or any hedging related to serving customers.

### Opposition in Senate

The bill, named for its main proponent, former Federal Reserve Chairman and White House adviser Paul Volcker, is designed to reduce risk-taking by banks. It faces an uncertain path in the Senate, where it has already drawn criticism from both Republicans and Democrats.

The proposed limit on liabilities is similar to an existing cap on bank deposits. U.S. commercial banks held \$10.4 trillion in liabilities as of Feb. 17, according to data from the Fed. JPMorgan Chase & Co. held \$1.5 trillion of total commercial-bank liabilities as of Dec. 31, according to the Federal Deposit Insurance Corp. Charlotte, North Carolina-based Bank of America Corp. had \$1.3 trillion and New York-based Citigroup Inc. \$1 trillion.

An exception would be made for acquisitions of "one or more banks in default or in danger of default." The language indicates acquisitions similar to those that took place during the worst of the financial crisis might be allowed.

## Smaller Acquisitions

The proposal also would allow banks that already are over the 10 percent limit to acquire small banks if that would not change their market share. It wouldn't restrict growth through normal business operations.

The legislation calls for a two-year transition, shorter than the five years that House Financial Services Chairman Barney Frank, a Massachusetts Democrat, said he would propose when Obama introduced the rule Jan. 21.

**Industry groups said the transition period isn't workable as currently proposed. "If the language is included, the transition period should be extended to account for existing contracts," said Scott Talbott, senior vice president of government affairs for the Financial Services Roundtable.**

Obama asked Congress in January to adopt the Volcker Rule to restrict risk-taking after financial companies worldwide reported more than \$1.7 trillion in writedowns and credit losses following the subprime mortgage market collapse in 2007. Lawmakers including Senate Banking Committee Chairman Christopher Dodd have suggested the plan has a political motive and said it could complicate efforts to overhaul rules governing financial companies.

## Proprietary Trading

The proposal also would tighten supervision, and capital and liquidity requirements, on non-bank companies engaged in proprietary trading.

The president's proposal would bar banks from owning or controlling hedge funds and private-equity firms. Banks also would be prohibited from acting as a prime broker to hedge funds they advise.

Banks would be allowed some leeway for investments in small businesses and projects that have a public welfare aspect, according to the draft legislative language.

The House of Representatives in December passed regulatory- overhaul legislation including Pennsylvania Democrat Paul E. Kanjorski's plan giving regulators power to require companies to divest businesses deemed systemically risky. The Obama proposal would require regulators to break up those companies.

## Kanjorski Reaction

Kanjorski called the administration's legislative draft a "fair, practical and foresighted proposal," in a statement yesterday. "It complements my efforts to ensure that American taxpayers should no longer be on the hook for bailouts of the financial industry," he said.

Dodd, a Connecticut Democrat, is negotiating with Republican senators aiming to reach a bipartisan compromise on measures guarding against potential threats to the U.S. economy and resolving systemically important companies when they fail.

In a hearing last month, Dodd said the Obama administration proposal was seen by some lawmakers as "transparently political and not substantive."

Obama outlined the proposal alongside Volcker, chairman of his Economic Recovery Advisory Board, who has advocated restrictions on banks to limit risks after the U.S. government set aside \$700 billion in 2008 to bail out companies including Citigroup and Bank of America.

### **BancorpSouth Chairman & CEO Aubrey Patterson Named to Board of the Financial Services Roundtable**

**Insurance News**

**March 4, 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.

**Fed May Lose Oversight of Small State Banks to FDIC, Reed Says**  
**Bloomberg BusinessWeek**  
**March 4, 2010**  
**By: Alison Vekshiiin**

The Federal Reserve, which is urging Congress to let it keep its bank supervising role, may lose oversight of smaller state banks to the Federal Deposit Insurance Corp., Democratic Senator Jack Reed said.

“What seems to be emerging is the consolidation” of two Treasury bank agencies “with FDIC having some responsibility for state banks as regulator in lieu of the Fed,” Reed, a Rhode Island Democrat and a member of the Senate Banking Committee, said yesterday in a Washington interview.

Senate negotiators are working through proposals to put in place the financial rules proposed by President Barack Obama more than eight months ago, a process stalled by disagreements over the Fed’s role and consumer protection.

Lawmakers are negotiating language that may give the Fed oversight of the largest U.S. financial companies along with a new consumer unit, two Democratic congressional aides with knowledge of the talks said yesterday. The consumer proposal from Banking Committee Chairman Christopher Dodd, a Connecticut Democrat, and Republican Bob Corker of Tennessee has so far failed to win lawmaker support.

Republicans and the financial-services industry oppose Obama’s Consumer Financial Protection Agency, and Dodd and Corker have scrapped the plan. Banks lobbied against the proposal, with JPMorgan Chase & Co. Chief Executive Officer Jamie Dimon calling the agency “just a whole new bureaucracy” on a December conference call with analysts.

The Senate plan under consideration would put the Fed in charge of about 20 or 30 bank holding companies, said one Democratic congressional aide who declined to be identified because the talks are private. The Treasury’s Office of the Comptroller of the Currency, which oversees national banks, and Office of Thrift Supervision would merge, Reed said.

### Bernanke Setback

A loss of oversight would be a setback for Fed Chairman Ben S. Bernanke, who told the Banking Committee on Feb. 26 it would be a “grave mistake” to remove authority to regulate banks. Giving another agency the power would make it tougher for the Fed to act as the lender of last resort, he said.

The Fed won endorsement yesterday from six Washington-based trade groups, led by the American Bankers Association. A letter to the banking committee said “it would be a mistake to limit the Federal Reserve to supervision of only larger, complex institutions headquartered in major financial centers.”

**Treasury Secretary Timothy Geithner had asked the leaders to back the administration's rules overhaul at a Feb. 25 Washington meeting. Later, groups including the Financial Services Roundtable and Securities Industry and Financial Markets Association agreed to write a letter, according to two people with knowledge of the matter, who declined to be identified because the meeting was private.**

#### Small Bankers

The leaders then recruited the Consumer Bankers Association and Independent Community Bankers of America, which represent small banks, the people said. Both support the Fed as overseer of some state-chartered banks. The Senate legislation may give such power to the FDIC, which regulates some state-chartered banks.

A copy of the letter was sent March 2 to Michelle Smith, the Fed spokeswoman and adviser to Bernanke, the people said.

The Fed's role emerged yesterday as senators negotiated the powers of a consumer unit at the Fed.

"Each of these pieces affects another piece in the bill," Corker said in an interview. "Today has been by far the very best day we've had in the process."

The plan for the Fed, still under discussion and may change, would abandon the single bank regulator Dodd proposed in his November draft legislation.

Dodd wanted to eliminate the OCC, which regulates national banks, and the OTS, the regulator of savings and loans, and merge their authority into a new Financial Institutions Regulatory Administration that would gain oversight powers of the FDIC and the Fed. The House passed a bill in December that merged OCC and OTS, leaving the Fed's bank oversight powers intact.

#### **Email authentication methods critical in fight against phishing**

##### **Information Security**

**March 4, 2010**

**By: Marcia Savage**

More companies need to adopt email authentication methods to effectively tackle the problem of increasingly sophisticated phishing attacks and spam, security experts said during a panel discussion Wednesday at the 2010 RSA Conference.

The spelling and grammatical mistakes that used to be telltale signs of spam are disappearing, said Todd Inskip, a senior vice president at Bank of America focused on authentication, customer protection and social spaces.

"We really need technical solutions...to protect all our customers, which is critical as the bad guys get more sophisticated," he said at the panel on securing email against phishing, spoofing and fraud.

**Many users' systems are getting infected from phishing attacks, making "it critical to cut down on illegitimate email," said Paul Smocer, vice president of security at BITS, a division of the Financial Services Roundtable, a forum for financial services leaders that focuses on best practices and technical infrastructure. The financial industry has been hit hard by phishers spoofing their brands, he said, adding, "It doesn't do our industry any good from a reputation perspective to have this situation."**

**Email authentication protocols can go a long way to fighting the phishing problem, panelists said. Last year, BITS published a guide for implementing DomainKeys Identified Mail (DKIM) and Sender Policy Framework (SPF). SPF aims to thwart email spoofing by providing a framework in which the domain of an email sender can be authenticated. DKIM allows organizations to add a cryptographic signature to outgoing mail, certifying that the message came from the domain displayed in the mail header.**

According to statistics presented during the panel, 51% of all email had an SPF record, compared to 20% of email 18 months ago. During that same period, 16% of email was authenticated with DKIM, up from 2%.

"We hope to encourage more companies to authenticate their email so they don't become the weak link," said Mark Risher, senior director of product management for Yahoo Mail.

**Smocer said getting to a higher level of authentication and trust would allow financial institutions to use email to provide more customer services than just alerts. "There are opportunities to enhance the service financial institutions can provide through the email channel if we can nail down the trust issue," he said.**

**There are limitations to the email authentication technologies, though, panelists said. Large institutions with multiple business lines have dozens, if not hundreds, of domains that may not be centrally controlled, Smocer said. Smaller organizations, meanwhile, may not have the expertise to deploy email**

**authentication. There's also the issue of institutions reaching out to various ISPs about the rule sets they've created around SPF and DKIM, he said.**

**"We're trying to create a core service to operationalize a process where financial institutions can create their rule sets and ISPs have a place to look those up," Smocer said.**

**There's also the issue of business partners that send email. Inskeep said Bank of America has lots of partners who send email on its behalf. "It's critical to build the alliance with your business partners and have them involved," he said.**

Steve Jones, a vice president and architect/strategist at Bank of America, said the first step to implementing email authentication is to establish a policy that has buy-in from all the lines of business. "You need that support across the organization," he said.

Email authentication isn't an end-all solution, but rather one layer of security, panelists noted. "Just because it's authenticated doesn't mean it's trustworthy," said panel moderator, Patrick Peterson, a Cisco Systems, Inc. fellow and chief security researcher. But the more the industry promotes email authentication, and large companies urge vendors to support the protocols, the easier it will be for smaller companies to adopt it, he said.

**"You can start easily by figuring out the domains that are most important to you and just get started," Smocer said, adding that the problem of spoofed email is only going to be solved with widespread adoption of email authentication across the industry.**

## **Chamber of Commerce Urges Senators to Oppose Bank Bonus Tax Bloomberg Business Week**

**March 4, 2010**

**By Ryan J. Donmoyer and Brian Faler**

The U.S. Chamber of Commerce urged senators to oppose a proposed 50 percent tax on bonuses given last year to executives at bailed-out financial companies including Goldman Sachs Group Inc. and Citigroup Inc.

Senators Jim Webb of Virginia and Barbara Boxer of California, both Democrats, are seeking to add the tax to a \$150 billion measure that would extend unemployment benefits through the end of the year. Democratic leaders haven't said yet whether the amendment will get a Senate vote.

The tax would apply to the portion of bonuses exceeding \$400,000 given to executives at companies that took at least \$5 billion from the Treasury Department's Troubled Asset Relief Program. It would apply only to bonuses awarded last year, when most of the federal aid was provided.

The measure "would likely hamper efforts to resolve the ongoing financial crisis, restore economic growth, spur job creation, and is likely unconstitutional," the chamber said in a letter to senators today.

Asked whether the Senate will vote on the amendment, Illinois Senator Richard Durbin, the second-ranking Senate Democrat and chief vote-counter on major legislation, replied, "I hope so" and said he supported it.

**"We are concerned that it might have legs," said Scott Talbott, senior vice president of government affairs for the Financial Services Roundtable, a trade group representing banks such as JPMorgan Chase & Co., Bank of America Corp. and Citigroup.**

#### 90 Percent Tax

The House voted in March 2009 to impose a 90 percent tax on bonuses at New York-based insurer American International Group Inc. and other companies that got federal bailouts. The vote followed an outcry over AIG's decision to pay \$165 million in bonuses last year after receiving \$173 billion in bailout funds. The Senate didn't act on that proposal.

The bill to which Webb and Boxer seek to attach their amendment would also extend a number of business tax breaks that expired last year, including a research credit that benefits many Chamber of Commerce member companies.

Webb said today the bonus tax would generate from \$3.5 billion to \$10 billion to help reduce the federal deficit.

"The American taxpayers did not create this economic crisis" though they provided the bailout money to keep companies afloat, Webb said. "The reward should be shared with the taxpayers who made it possible."

#### **Chamber of Commerce Urges Opposition to Bonus Tax (Update2)**

**Bloomberg BusinessWeek**

**March 4, 2010**

**By Ryan J. Donmoyer and Brian Faler**

The U.S. Chamber of Commerce urged senators to oppose a proposed 50 percent tax on bonuses given last year to executives at bailed-out financial companies including Goldman Sachs Group Inc. and Citigroup Inc.

Senators Jim Webb of Virginia and Barbara Boxer of California, both Democrats, are seeking to add the tax to a \$150 billion measure that would extend unemployment benefits through the end of the year. Senate Majority Leader Harry Reid, a Nevada Democrat, said tonight that while he personally supports the idea, he doesn't yet know if it will be put to a vote.

"I like it," Reid said in an interview after the Senate adjourned for the day. "A few people here don't want to vote on it," so "we'll see," he said.

The plan is co-sponsored by Senator Dick Durbin of Illinois, the No. 2 Democrat.

The tax would apply to the portion of bonuses exceeding \$400,000 given to executives at companies that took at least \$5 billion from the Treasury Department's Troubled Asset Relief Program. It would apply only to bonuses awarded last year, when most of the federal aid was provided.

The measure "would likely hamper efforts to resolve the ongoing financial crisis, restore economic growth, spur job creation, and is likely unconstitutional," the chamber said in a letter to senators today.

'Might Have Legs'

**"We are concerned that it might have legs," said Scott Talbott, senior vice president of government affairs for the Financial Services Roundtable, a trade group representing banks such as JPMorgan Chase & Co., Bank of America Corp. and Citigroup.**

Party leaders negotiate which amendments get floor votes. Senate Minority Leader Mitch McConnell, a Kentucky Republican, said today he didn't know if the bank bonus tax would get one. "I don't think we know yet; we'll find out as we move along here whether it will be voted on or not," McConnell said.

The House voted in March 2009 to impose a 90 percent tax on bonuses at New York-based insurer American International Group Inc. and other companies that got federal bailouts. The vote followed an outcry over AIG's decision to pay \$165 million in bonuses last year after receiving \$173 billion in bailout funds. The Senate didn't act on the House measure.

The bill to which Webb and Boxer seek to attach their amendment would also a number of business tax breaks that expired last year, including a research credit that benefits many Chamber of Commerce member companies.

Webb said today the bonus tax would generate from \$3.5 billion to \$10 billion to help reduce the federal deficit.

“The American taxpayers did not create this economic crisis” though they provided the bailout money to keep companies afloat, Webb said. “The reward should be shared with the taxpayers who made it possible.”

**House Approves Recreation of NARAB  
Life and Health Insurance News  
March 5, 2010  
By Arthur D. Postal**

The U.S. House passed by voice vote late Wednesday legislation recreating the National Association of Registered Agents and Brokers.

However, the bill’s hope of being enacted is unclear because there are no signs of support in the Senate, according to industry lobbyists.

The bill is the National Association of Registered Agents and Brokers Reform Act of 2009 or NARAB II (H.R. 2554), which would simplify the producer licensure process.

But the bill has lukewarm support in the insurance industry.

**Peter Ludgin, the executive director of Agents for Change, which supports legislation that would create an optional federal charter for insurers, contends that “the legislation does not go far enough and is a piecemeal approach to a system-wide problem.”**

Officials of the National Association of Insurance and Financial Advisors called passage of the bill “a step in the right direction” for simplifying agent licensing.

Tom Currey, NAIFA’s president, said the majority of NAIFA members are licensed in multiple states “and keeping up with the licensing requirements of each state are often redundant and costly.”

He said, “NAIFA is proud to support NARAB II because it just makes sense to eliminate unnecessary costs and duplicative regulation that make it more difficult to serve the clients that depend on us.”

The legislation would recreate a provision of the 1999 Gramm-Leach-Bliley Act that was designed to reestablish the national registration of insurance agents as a nonprofit corporation to allow for agent reciprocity.

Under the terms of the bill, an insurance producer would be allowed to conduct insurance business in any state in any line of insurance specified in the producer's home state.

States would retain their regulatory jurisdiction over consumer protection, market conduct and unfair trade practices. They also would retain their rights over licensing, supervision, disciplining and the setting of licensing fees for insurance producers.

NARAB would coordinate with state insurance regulators to establish a central clearinghouse and the creation of a national database for "the collection of regulatory information concerning the activities of insurance producers."

According to the bill, NARAB will still need to establish the criteria for membership, including a criminal background check and a procedure to deny membership to a state-licensed insurance producer on the basis of criminal history.

The original NARAB reciprocity plan under Gramm-Leach-Bliley would have been triggered if enough states had not demonstrated reciprocity licensing laws. However, some of the major insurance markets, such as New York, never established licensing reciprocity.

**Mr. Ludgin says that recreation of NARAB would be "building on a broken chassis."**

**He said that agent licensing is a "costly, time consuming, and burdensome morass, creating unnecessary hoops that producers are forced to jump through to serve their customers."**

**He said the bill only "tangentially addresses much-needed licensure reform, but does nothing to address speed to market of products or free market pricing."**

**Research Says Overdraft Limits Won't Hurt Banks  
The Jacksonville Observer  
March 4, 2010**

A new rule limiting banks' ability to charge controversial overdraft fees isn't likely to cripple the industry's profitability, new research says.

The research – to be released today by bank consulting firm Bretton Woods – is the latest to address the impact of pending Federal Reserve restrictions on the financial industry. These restrictions, which take effect in July, require banks and credit unions to get consumers' consent before charging them steep fees for paying debit card and ATM overdrafts.

Bretton Woods estimates that the Fed rule will cost banks and credit unions roughly \$7.3 billion in fee income, significantly less than other consultants' projections. In 2009, banks earned more than \$38 billion in overdraft fees, according to industry estimates. Overdrafts have become the single largest driver of consumer fee income, USA TODAY's research has found.

G. Michael Flores, founder of Bretton Woods, says that while the new rule represents a “watershed event” in regulation, it doesn't threaten most banks' viability because it limits only a “percentage of overdrafts, not all overdrafts.”

Also, institutions are offsetting the rule's impact by raising existing bank fees or imposing new ones to recoup some lost overdraft income, Flores says.

Yet, if further restrictions are imposed on this income stream, the industry could see a “cascade” of small bank failures, Flores adds.

Adam Levitin, an associate professor at Georgetown Law School, says banks have a right to make profits but they should have to do so fairly.

Banks “were profitable before they had the current level of overdraft income, and they can remain profitable even if it is reduced,” says Levitin.

Consumer advocates say that the Fed rule is a good first step. But it doesn't prevent banks from charging overdraft fees on recurring debit card transactions – such as monthly bill payments – or on checks.

Banks can also continue to clear large transactions first, emptying the account quicker, and charge overdraft fees as high as they want.

President Obama has championed the creation of an independent Consumer Financial Protection Agency – a proposal now under consideration by the Senate – to regulate ongoing overdraft and credit abuses.

“Even with the (Fed rule) in place, there are a lot of abuses in the marketplace,” says Leslie Parrish, a senior researcher at the Center for Responsible Lending, a consumer advocacy organization.

“There are still ways that banks can have their customers rack up hundreds of dollars in overdraft fees per day,” Parrish says.

**Scott Talbott, senior vice president at the Financial Services Roundtable, which represents large banks, says the Fed’s rule already gives consumers clear disclosures and more control over their fees. “There are always going to be people who, whatever the rules are, will say that more needs to be done,” he says.**

### **Whatever Happened to Finance Reform?**

**KCRW**

**March 4, 2010**

**Hosted by Warren Olney**

The taxpayer bailout of banks that were "too big to fail" was followed up with the promise of finance reform to prevent another Great Recession. Now Republicans in the Senate are threatening to kill a sweeping measure passed by the Congress. Would it go too far? Do Democrats have the strength — or the will — to revive it?

### **Senior Vice President for Government Affairs at the Financial Services Roundtable**

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

### **Senate reins in finance reform, works on compromise**

**USA Today**

**March 5, 2010**

**By Paul Wiseman**

The Senate is scaling back President Obama's plans to reform the financial system, enraging critics who wanted to see the government do a better job protecting consumers and preventing banks from growing too big to fail.

"It's unconscionable," says Lynn Turner, a former Securities and Exchange Commission official. "Instead of 'We the People' it's become 'I the Bank.' "

The Obama administration last year introduced a sweeping plan to overhaul the way the financial system is regulated. The House in December passed a slightly watered-down version of the legislation. Now, the Senate is working on its version.

Senate Banking Committee Chairman Christopher Dodd, D-Conn., and Republican Sen. Bob Corker of Tennessee are trying to fashion a compromise reform bill that will attract support from Republicans and conservative Democrats skeptical about imposing new regulations on banks at a time credit is already tight; a draft is expected sometime next week. Early indications are that the Senate version will:

- Scale back Obama's plans to create an independent Consumer Financial Protection Agency. The original thinking: Traditional bank regulators, assigned to protect the health of banks, didn't pay much attention to protecting consumers from predatory lending and other financial abuses. So Obama sought a stand-alone agency with a clear mission to look out for consumers.

But the Senate is likely to stick the consumer watchdog inside an existing agency — the Treasury Department, the Federal Deposit Insurance Corp., or the Federal Reserve— where its decisions could be overruled by higher authorities. "It's a huge mistake," says Travis Plunkett, legislative director of the Consumer Federation of America. "All these proposals offer some opportunity for the same regulators who failed so miserably to protect consumers to continue to veto consumer protection."

**Dodd and the Obama administration now argue that it doesn't matter where the agency is housed as long as it has an independent leader picked by the president; its own budget; and the power to write rules and enforce them. Critics contend that anything that weakens the consumer agency's independence is a victory for bank lobbyists. But Scott Talbott of the Financial Services Roundtable, which represents the country's biggest financial institutions, says banks and other lenders won't celebrate until they see the details of the Senate's plan.**

- Hand off to regulators Obama's plan to impose limits on how big financial institutions can grow and ban banks from using government-backed deposits and other funding to make risky trading bets in financial markets. Obama intended for the so-called Volcker Rule — named after former Fed chief Paul Volcker— to be part of the Congress' reform legislation. Dodd told Bloomberg Television on Thursday that he didn't want to write the rule into law, letting regulators handle it instead.

**Talbott says the Volcker Rule, which faced bipartisan skepticism, was pretty much dead on arrival on Capitol Hill.**

**Banking/Security Agenda - Paul Smocer, Financial Services Roundtable**

**Bank Info Security**  
**March 4, 2010**

What are the key banking/security topics on the minds of leaders of the nation's largest banks?

**Paul Smocer of BITS and the Financial Services Roundtable discusses:**

The Roundtable's information security priorities;

How regulatory reform may impact security organizations;  
The future of the Shared Assessments Program - in banking and beyond.

Smocer, VP of Security at BITS, a division of the Financial Services Roundtable, leads the group's security program. Smocer has over 30 years' experience in security and control functions, most recently focusing on technology risk management at The Bank of New York Mellon and leading information security at the former Mellon Financial. While at Bank of New York Mellon and at Mellon, Smocer was actively engaged with BITS as a member of its Vendor Management Working Group, as 2005 Chair of its Security Steering Committee, and as 2004 Chair of its Operational Risk Committee.

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

**New CARD Act Disclosures**  
**PR Newswire**  
**March 5, 2010**

**The Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009, which took effect February 22, 2010, requires new disclosures on monthly credit card statements. The Financial Services Roundtable and the Center for Responsible Lending have teamed up to explain a few of these new disclosures, which are intended to make the cost of credit clearer to American consumers.**

The Disclosures WILL:

Show you how long it will take to pay off your entire balance if you pay only the minimum payment each month and make no additional purchases or advances.  
Show -- if it will take more than three years to pay off a balance at the minimum payment set by the card issuer -- how much you would have to pay each month to pay off the entire balance in 3 years. Unlike a minimum payment, which goes

down as the balance declines, a faster, 3-year payoff calculation is based on your making the same payment each month for 36 months.

Show the total cost, including principal and interest, if you make only minimum payments to pay off the balance.

Show the total cost, including principal and interest, if you make the payments to pay off the balance faster, in three years.

Show how much more in interest you will pay by making the minimum payments rather than the larger payments to pay off the balance in three years.

The disclosures will NOT:

Change or extend your monthly due date, which will now be the same date each month.

Take into account future transactions. If you make new purchases, take out new advances or incur new fees, then the minimum payment, the amount of interest and principal and the length of time to pay off a balance will increase.

Answer all questions regarding new disclosures. Customers should contact their financial institution directly.

...Calculators:

Statements will now provide information under two scenarios -- if you make minimum monthly payments or if you make larger monthly payments to pay off a balance in 3 years. Below are two credit card calculators you can use to evaluate other scenarios:

<http://www.bankrate.com/calculators/managing-debt/minimum-payment-calculator.aspx>

<http://www.federalreserve.gov/creditcardcalculator/>

About the Financial Services Roundtable

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

About the Center for Responsible Lending

The Center for Responsible Lending is a nonprofit, nonpartisan research and policy organization dedicated to protecting homeownership and family wealth by

working to eliminate abusive financial practices. CRL is affiliated with Self-Help, one of the nation's largest community development financial institutions. For more information please visit our website: [www.responsiblelending.org](http://www.responsiblelending.org)

SOURCE Center for Responsible Lending

**Rule draft eases market impact**  
**Pittsburg Tribune-Review**  
**March 5, 2010**

The Obama administration's legislative draft of the so-called Volcker Rule incorporated exemptions that may ease the impact on financial markets should it be enacted.

President Obama this week sent Congress the five-page proposal to ban proprietary trading and block mergers that give banks more than a 10 percent market share, as measured by liabilities other than insured deposits. It also would bar banks from owning or investing in hedge funds and private equity firms.

The rule, which is aimed at reducing the risk of another financial crisis, exempts mergers that exceed the market-share limit in cases when a firm acquires a failing bank with regulators' approval. Also left out are trading in Treasury and agency securities, including debt issued by Ginnie Mae, Fannie Mae and Freddie Mac.

Such exemptions may help to avoid market disruptions that could affect small investors, said Chris Rupkey, chief financial economist at Bank of Tokyo-Mitsubishi UFJ Ltd. in New York.

"The market is made up of many unseen hands with different objectives and investment horizons, and if you pull out the speculators making short term bets, like prop trading banks, then" an individual investor is "going to be the one who suffers," Rupkey said. Prop refers to proprietary trading.

In a memo accompanying the plan, the administration said it doesn't want to interfere with market-making or any hedging related to serving customers.

The bill, named for its main proponent, former Federal Reserve Chairman and White House adviser Paul Volcker, is designed to reduce risk-taking by banks. It faces an uncertain path in the Senate, where it has already drawn criticism from both Republicans and Democrats.

The proposed limit on liabilities is similar to an existing cap on bank deposits. Commercial banks held \$10.4 trillion in liabilities as of Feb. 17, according to data

from the Fed. JPMorgan Chase & Co. held \$1.5 trillion of total commercial-bank liabilities as of Dec. 31, according to the Federal Deposit Insurance Corp. Charlotte-based Bank of America Corp. had \$1.3 trillion, and New York-based Citigroup Inc. \$1 trillion.

An exception would be made for acquisitions of "one or more banks in default or in danger of default." The language indicates acquisitions similar to those that took place during the worst of the financial crisis might be allowed.

The proposal also would allow banks that already are over the 10 percent limit to acquire small banks if that would not change their market share. It wouldn't restrict growth through normal business operations.

The legislation calls for a two-year transition, shorter than the five years that House Financial Services Chairman Barney Frank, D-Mass., said he would propose when Obama introduced the rule Jan. 21.

**Industry groups said the transition period isn't workable as proposed. "If the language is included, the transition period should be extended to account for existing contracts," said Scott Talbott, senior vice president of government affairs for the Financial Services Roundtable.**

Obama asked Congress in January to adopt the Volcker Rule to restrict risk-taking after financial companies worldwide reported more than \$1.7 trillion in writedowns and credit losses following the subprime mortgage market collapse in 2007. Lawmakers including Senate Banking Committee Chairman Christopher Dodd have suggested the plan has a political motive and said it could complicate efforts to overhaul rules governing financial companies.

The proposal also would tighten supervision, and capital and liquidity requirements, on non-bank companies engaged in proprietary trading.

The president's proposal would bar banks from owning or controlling hedge funds and private-equity firms. Banks also would be prohibited from acting as a prime broker to hedge funds they advise.

Banks would be allowed some leeway for investments in small businesses and projects that have a public welfare aspect, according to the draft legislative language.

The House of Representatives in December passed regulatory-overhaul legislation including the plan of Paul E. Kanjorski, D-Pa., giving regulators power to require

companies to divest businesses deemed systemically risky. The Obama proposal would require regulators to break up those companies.

Kanjorski called the administration's legislative draft a "fair, practical and foresighted proposal," in a statement this week. "It complements my efforts to ensure that American taxpayers should no longer be on the hook for bailouts of the financial industry," he said.

Dodd, D-Conn., is negotiating with Republican senators aiming to reach a bipartisan compromise on measures guarding against potential threats to the U.S. economy and resolving systemically important companies when they fail.

In a hearing last month, Dodd said the Obama administration proposal was seen by some lawmakers as "transparently political and not substantive."

Obama outlined the proposal alongside Volcker, chairman of his Economic Recovery Advisory Board, who has advocated restrictions on banks to limit risks after the government set aside \$700 billion in 2008 to bail out companies including Citigroup and Bank of America.

## **HOPE NOW Helps Almost 2,100 Troubled Borrowers in February**

**DS News**

**March 5, 2010**

**By: Brittany Dunn**

**Thousands of homeowners across the nation are facing foreclosure, but nearly 2,100 of these troubled borrowers received mortgage assistance through HOPE NOW's homeownership preservation events in February in Sacramento, California and Houston.**

**The workshop in Sacramento, California had 1,200 attendees, and almost 900 families attended the Houston workshop. In Sacramento, hundreds of homeowners with financial documents still outstanding also participated in a special document collection clinic with servicers. HOPE NOW said these clinics helped move homeowners already in trial plans into permanent Making Home Affordable modifications.**

These borrower outreach events gave at-risk homeowners a chance to meet face-to-face with their mortgage servicer or a HUD-approved housing counselor. More than a dozen major mortgage servicers were on hand to offer assistance at both events, as well as representatives from several local HUD-approved counseling organizations.

**The signature workshops, sponsored by the HOPE NOW Alliance, the Obama administration's Making Home Affordable Program, and NeighborWorks America, were the continuation of an aggressive outreach effort to visit many of the hardest-hit housing markets in the country.**

**“Since 2008, HOPE NOW has held more than 60 of these events nationwide, and we are proud of the fact that the industry has come together with the government and the nonprofit community to offer a much needed face-to-face outreach model,” said Faith Schwartz, executive director of HOPE NOW.**

**HOPE NOW said it plans to continue these homeownership preservation events throughout 2010. Workshops are already lined up for March in Tucson, Arizona; Phoenix; Portland, Oregon; and Seattle. In addition, events in Las Vegas and Reno, Nevada are planned for April.**

**Baucus Says Bank Bonus Tax Proposal Unlikely to Get Senate Vote  
Bloomberg Business Week  
March 5, 2010  
By Brian Faler**

The U.S. Senate is unlikely to vote on a proposal to impose a 50 percent tax on bonuses awarded last year to executives of Wall Street firms bailed out by the government, a top Democrat said.

Senate Finance Committee Chairman Max Baucus said today that, while he can't rule out the possibility that the tax proposal would be voted on as an amendment to a jobs bill, the “chances are low” because of opposition from lawmakers in both parties.

“Some Republicans don't want it; some Democrats don't want it,” Baucus, a Montana Democrat, said in an interview.

Asked what he thought of the idea, he said “it's a jobs bill” and “we can't solve all the world's problems with one bill.”

Jessica Smith, a spokeswoman for Democratic Senator Jim Webb of Virginia, a sponsor of the tax proposal, agreed that a vote is “not looking likely.”

Under Senate practice, lawmakers from the two parties negotiate which proposed amendments to a pending bill will be allowed floor votes and which will be dropped. Webb and Senator Barbara Boxer, a California Democrat, have been pushing the amendment that would tax the portion of bonuses topping \$400,000

given to executives at banks that received at least \$5 billion from the Treasury Department's Troubled Asset Relief Program.

**The effort by the two senators sparked a last-minute lobbying campaign by the U.S. Chamber of Commerce, the Financial Services Roundtable and other groups opposing the plan. The Chamber of Commerce, in urging lawmakers to reject the idea, said in a letter it “would likely hamper efforts to resolve the ongoing financial crisis, restore economic growth, spur job creation and is likely unconstitutional.”**

The \$150 billion jobs measure the Senate is debating would extend unemployment benefits through the end of this year, provide state governments with \$25 billion in aid, extend a package of miscellaneous tax cuts and postpone scheduled cuts in Medicare reimbursements to doctors. Democrats said they aim to complete work on the bill by early next week.

**New CARD Act disclosures  
Market Digest  
March 5, 2010**

**The Credit Card Accountability Responsibility and Disclosure (CARD) Act of 2009, which took effect February 22, 2010, requires new disclosures on monthly credit card statements. The Financial Services Roundtable and the Center for Responsible Lending have teamed up to explain a few of these new disclosures, which are intended to make the cost of credit clearer to American consumers.**

The Disclosures WILL:

Show you how long it will take to pay off your entire balance if you pay only the minimum payment each month and make no additional purchases or advances.

Show — if it will take more than three years to pay off a balance at the minimum payment set by the card issuer — how much you would have to pay each month to pay off the entire balance in 3 years. Unlike a minimum payment, which goes down as the balance declines, a faster, 3-year payoff calculation is based on your making the same payment each month for 36 months.

Show the total cost, including principal and interest, if you make only minimum payments to pay off the balance.

Show the total cost, including principal and interest, if you make the payments to pay off the balance faster, in three years.

Show how much more in interest you will pay by making the minimum payments rather than the larger payments to pay off the balance in three years.

The disclosures will NOT:

Change or extend your monthly due date, which will now be the same date each month.

Take into account future transactions. If you make new purchases, take out new advances or incur new fees, then the minimum payment, the amount of interest and principal and the length of time to pay off a balance will increase.

Answer all questions regarding new disclosures. Customers should contact their financial institution directly.

Calculators:

Statements will now provide information under two scenarios — if you make minimum monthly payments or if you make larger monthly payments to pay off a balance in 3 years. Below are two credit card calculators you can use to evaluate other scenarios:

**Congress Daily AM Edition: American Association of People with Disabilities Reception  
National Journal  
March 8, 2010**

ACCOLADES. The charity dinners continue Wednesday with the American Association of People with Disabilities reception. The organization is bestowing its inaugural Image Award on musician Stevie Wonder for his personal example of improving the way people with disabilities are perceived by society.

**A few other honors will be handed out that night. Former Rep. Steve Bartlett, R-Texas, will give House Majority Leader Hoyer the Spirit of the ADA Award and AAPD board member Ted Kennedy Jr. will present Connie Garner with the Justice for All Award for her 15 years of service to his father, the late Sen. Edward Kennedy, D-Mass., and the disability community. The event starts at 6:15 p.m. at the Ronald Reagan Building and International Trade Center.**

Tickets cost \$250 and can be bought at [www.aapd.com](http://www.aapd.com).

## **Hope Now Joins Forces With Other Foreclosure Prevention Programs**

**Huliq News**

**March 6, 2010**

**By Amy Munday**

**HOPE NOW is yet another foreclosure prevention strategy alliance of "counselors, mortgage companies, investors, and other mortgage market participants" to help trouble homeowners. The alliance joins the efforts of Neighborworks and the Obama administration's Home Affordable Modification Program (HAMP), which are all sponsored by the U.S. Department of Treasury and U.S. Department of Housing and Urban Development (HUD).**

**The HOPE NOW workshops have already helped almost 2,100 people that needed to modify their home loans. The last press release from HAMP stated only 116,000 homes had been saved, but another million are in the process and millions more are hoping to be reached in the next few years. These programs specifically target underwater mortgages, a crisis that has run rampant across the housing market the past five years.**

**"Since 2008, HOPE NOW has held more than 60 of these events nationwide, and we are proud of the fact that the industry has come together with the government and the nonprofit community to offer a much needed face-to-face outreach model," stated Faith Schwartz, executive director of HOPE NOW.**

"Nearly one million homeowners across the country have already received help from the Making Home Affordable Program," stated Phyllis Caldwell, Chief of the U.S. Department of the Treasury's Homeownership Preservation Office, "These events provide more homeowners the opportunity to meet with their mortgage company one-on-one to discuss their options -- for free."

Two workshops were held in February on the 17th and the 26th in Houston, TX and Sacramento, CA respectively. March workshops are already scheduled for Tucson, Arizona; Phoenix; Portland, Oregon; and Seattle, Washington. Scheduled April events so far include Reno and Las Vegas, Nevada, which is one of the U.S.'s hardest hit states in terms of foreclosures.

The workshops are also helping people that have already begun the loan modification process, which can be tedious and time consuming. Borrowers in the process of making their homes more affordable have consistently complained about inefficiencies in the lenders, such as asking for documents repeatedly, never following up and declining the modification in the end.

**Congress battling over consumer agency**  
**San Francisco Chronicle**  
**March 7, 2010**  
**By Kathleen Pender**

One of the most contentious issues in Congress, after health care, is the proposed creation of an independent consumer protection agency for financial products such as bank accounts, credit cards, mortgages and some student and auto loans.

Many Democrats and consumer groups say the Federal Reserve and other regulators were so focused on bank profits and balance sheets that they allowed the spread of destructive consumer products - such as subprime and pick-your-payment mortgages - that nearly collapsed the financial system.

They want to take consumer protection away from banking regulators and consolidate it in a new, independent agency with the power to write and enforce rules.

Many Republicans and industry groups say the proposal would create another bloated bureaucracy, stifle innovation, restrict access to credit and could threaten the safety of the banking system if it choked profits. They want to elevate consumer protection but leave it within the existing regulators.

It's turning into a classic Wall Street versus Main Street drama that has even attracted the attention of Hollywood.

In a new video directed by Ron Howard, six ex-presidents played by "Saturday Night Live" stars and alumni come to President Obama (played by Fred Armisen) in a dream and urge him to create the Consumer Financial Protection Agency.

It unites Will Ferrell as George W. Bush, Darrell Hammond as Bill Clinton, Dana Carvey as George H.W. Bush, Dan Aykroyd as Jimmy Carter, Chevy Chase as Gerald Ford and Jim Carrey as Ronald Reagan. Maya Rudolph plays Michelle Obama.

The video, running on Funnyordie.com, was created with Americans for Financial Reform, which represents more than 200 consumer groups and unions that have coalesced to fight for financial reform.

**Opposing an independent consumer protection agency are industry heavyweights including the U.S. Chamber of Commerce, American Bankers Association and Financial Services Roundtable.**

Some smaller business groups, such as the U.S. women's and U.S. Hispanic chambers of commerce have aligned with consumer groups to support the new agency.

### The history

The story opened in June when President Obama proposed a sweeping package of financial reforms including the creation of a stand-alone agency that would regulate virtually all credit, savings and payment products offered by U.S. banks and some nonbank financial institutions.

The Federal Reserve, Federal Deposit Insurance Corp. and Office of the Comptroller of the Currency would continue to regulate banks for safety and soundness. But their powers to regulate consumer products would be transferred to a new Consumer Financial Products Agency.

The agency could not set a limit on interest rates. But it could, for example, require at least a 20 percent down payment on home loans "or require lenders to provide a two-page summary of a mortgage that would be clear to anyone who read it," says Douglas Elliott, a fellow with the Brookings Institution.

It could forbid teaser rates on mortgages or ban adjustable rate mortgages altogether. "I'm not saying it will do these things," Elliott says, but it could.

In December, the House passed - with no Republican votes - a financial-services reform bill that incorporated most of Obama's proposals including the new agency.

When it got to the Senate, the bill hit turbulence.

### The politics

Although Senate banking committee Chairman Chris Dodd, D-Conn., had proposed a bill in November that was similar to Obama's proposal, he later withdrew it and began negotiating with Republican committee members, primarily Richard Shelby of Alabama and Bob Corker of Tennessee.

After months of little progress, last week a deal seemed to be near, but the details kept changing. News reports cited proposals and counterproposals that would place the new agency - with varying degrees of authority and autonomy - within the Federal Reserve, the FDIC and the Treasury Department. At press time, no deal had been announced.

Some consumer groups are willing to accept an agency that is not stand-alone, as long as it is independent.

"Just because it's in the Fed or Treasury doesn't mean it can't be effective," says Kathleen Day, a spokeswoman for the Center for Responsible Lending. "What we are insisting on is an independent (agency), regardless of where it is."

Specifically, Day says the agency's head should be appointed by the president and approved by the Senate, have independent funding, have examination and enforcement authority and be able to write rules for products no matter where or by whom they are sold.

Day also wants the agency's rules to serve "as a floor not a ceiling," meaning that states could enforce stricter rules on products sold within their state.

#### Federal pre-emption

Today, federal regulators can effectively bar states from enforcing their own consumer protection laws on nationally chartered banks. When states passed anti-predatory mortgage laws, federal regulators said "those don't apply to national banks," Day says. "Guess who made 50 percent of the subprime loans that sparked the current crisis? National banks (or their subsidiaries or affiliates)."

Finance companies made most of the rest. "When states tried to enforce tougher rules on finance companies, they said, 'Wait, these (national) banks down the street don't have to do this. Why are you tying our hands? We're a local company.' What you had is a race to the bottom," Day says.

The industry says federal regulators should retain their ability to pre-empt state laws.

**"There should be one set of strong consumer protections that apply nationwide," says Scott Talbott, chief lobbyist for the Financial Services Roundtable.**

**"If you allow states (to write their own rules) you have a patchwork quilt of 50 different consumer protection regimes. That's a problem for banks that operate in (multiple) states. It puts upward pressure on prices and downward pressure on the availability of products."**

**Talbott says the industry knows that "mistakes were made. We want to make consumer protection a core mission for the regulator. It is not now a core mission. We want to elevate it, on par with safety and soundness."**

**But, he adds, "We think the most effective way (to protect consumers) is to keep the regulation of the bank and the regulation of the product under the roof of the same regulator."**

**Because most financial products involve long-term relationships, "the fate of the institution and the consumer are inextricably linked. We believe the regulation of both should be done in concert."**

Another FDA?

Elliott, the Brookings fellow, doesn't know if the two are compatible. "It's intrinsically difficult for a safety and soundness regulator to make consumer protection a priority," he says.

Elliott says he supports the creation of an independent agency, "but I do it with some reluctance."

As proposed, the new agency would resemble the U.S. Food and Drug Administration, which is praised for protecting consumers from dangerous drugs and reviled for hindering the advancement of medicine.

"I do worry that (the proposed consumer agency) may be excessively conservative about accepting new or even existing products," he says.

Ed Mierzwinski, consumer program director with U.S. PIRG, says that's a risk worth taking.

"This is the only piece of financial reform that directly helps families," he says. "Why haven't we passed it? Because the companies whose reckless practices injected risk into the system oppose it. Congress is listening to the arsonists who burned down the house."

**State's distressed homeowners urged to be wary**  
**Register Guard**  
**March 7, 2010**  
**By Ilene Aleshire**

There is a wide range of mortgage-related scams targeting distressed Oregon homeowners, Attorney General John Kroger says, from phony offers of help to having homeowners unwittingly sign away their home.

Homeowners should be aware, he says, that new laws require lenders to tell them about options to have their mortgage modified, and request good-faith negotiations that may help avoid foreclosure if they're in trouble.

To find out more, or get help, homeowners can call 877-877-9392 or go to the state Department of Justice web site, [www.doj.state.or.us](http://www.doj.state.or.us) and type the word "mortgage" in the search box on the right side of the page.

**An alliance of counselors, lenders and others also has set up a Web site — [www.hopenow.com](http://www.hopenow.com) — to offer assistance to homeowners facing problems. The organization has a toll-free hotline — 888-995-HOPE — that is staffed by credit counselors approved by the federal Housing and Urban Development department.**

Mortgage and foreclosure scams have increased dramatically in Oregon, Kroger says, although the state has been cracking down.

He warns consumers to beware of any counselor or company that guarantees to stop the foreclosure process; tells you not to contact your lender, lawyer or another credit counselor; tells you to make your mortgage payments to them, rather than your lender; offers to fill out your paperwork for you; wants you to transfer your deed or title to them, or offers to buy your house at a fixed price, rather than putting it on the market.

Some people are embarrassed to admit they have been scammed, Kroger says, but he asks consumers to file a complaint with his office if they have been victimized or want to report a scammer. Complaint forms are available on the state Department of Justice Web site given above, or by calling 1-877-877-9392.

Kroger's office offers the following tips to distressed homeowners who are dealing with someone offering to help them modify their mortgage or otherwise stay in their home:

Get everything in writing, including all services and promises. Do not sign anything you are not sure you fully understand.

Don't pay anything upfront.

Make sure you are dealing with a HUD-approved counselor, who will often provide services at little or no charge. Check with the HUD Web site — [www.hud.gov](http://www.hud.gov) — or call 877-483-1515 to make sure they are approved.

**HOPE NOW also can help you locate free counseling and help or assist you in contacting your mortgage company. Additional information about refinancing or loan modification is available at [makinghomeaffordable.gov](http://makinghomeaffordable.gov), part of a federal plan to help owners keep their homes.**

**Big bank oversight to stay with Fed  
Financial Times  
March 7, 2010  
By Tom Braithwaite**

Banks with more than \$100bn of assets will be overseen by the US Federal Reserve under a regulatory reform plan that represents a partial victory for the central bank after months of attacks in Congress.

Chris Dodd, the Senate banking committee chairman, had proposed hiving off all bank supervision to a single regulator but is set to propose this week that the 23 largest institutions stay under the Fed's oversight, according to people familiar with the plans.

While attention has been focused on an argument between Democrats and Republicans over the powers and location of new consumer protection functions, which may also be housed within the Fed, other elements of regulatory reform – deemed more important by many institutions and policymakers – are close to fruition.

A new “resolution” regime to deal with failing, but systemically important, institutions would allow the government to wind up a company quickly to avoid contagion spreading through the financial system.

But in a concession to Republican fears about giving government too much power over business, a bankruptcy judge would provide checks and balances.

The regime is designed to prevent a repeat of the costly bail-out of AIG or the damaging bankruptcy of Lehman Brothers.

But Democrats have had to come up with a complex system that incorporates a role for the judiciary to meet Republican concerns, while also limiting the time and scope of a judge's intervention to prevent an unruly process that infects the entire financial system.

The Fed's retention of authority over the biggest banks is partly a result of demands by Tim Geithner, Treasury secretary and former president of the New

York Fed, who has told senators that only the central bank is qualified to oversee the core of the system.

But it also comes after a mobilisation of regional Fed presidents, unprecedented since the second world war, said people involved with the reform in the Senate.

“Until, frankly, chairman [Ben] Bernanke was confirmed I think the Fed’s hands were kind of tied,” said a banking industry figure who has held discussions with one of those Fed presidents. “Now he is chairman for the next four years ... the Fed has been able to be more aggressive in fighting for its authority.”

The regional Fed presidents have the most to lose if – as the current draft legislation has it – the central bank retains big banks but loses mid-sized institutions, which are part of the Fed system’s reason for being.

**This week also saw the banking associations come out firmly in favour of the Fed, deluging the banking committee with letters and phone calls. Independent Community Bankers of America, the Financial Services Roundtable and the American Bankers Association are among the groups to have lobbied senators in co-ordinated communications.**

Senators who remain sceptical of the Fed’s handling of the financial crisis and oversight of institutions in the preceding years do not want the Fed to retain all of its supervision but are coming under heavy pressure, according to aides.

“The Fed feels it is gaining some momentum,” said one.

**Marylanders joining Move Your Money campaign  
The Baltimore Sun  
March 7, 2010  
By Eileen Ambrose**

A nationwide campaign to stick it to the big banks seems to have caught on with consumers who are withdrawing their money and moving on.

Huffington Post's Move Your Money campaign has urged consumers for weeks to abandon banking giants that benefited from taxpayer bailouts but remain reluctant to lend. The campaign tells depositors to switch to small banks or credit unions that weren't involved in the risky practices that caused the financial crisis.

Not only do some Marylanders appear to be heeding that call, but now some bigger customers are looking to make a break with the megabanks.

The Maryland General Assembly is considering legislation that would essentially give state-chartered banks an edge when bidding to serve state agencies or local governments.

Del. Bill Frick, a Montgomery County Democrat who sponsored the legislation, says he's been frustrated watching giant out-of-state banks gouge Marylanders with high fees and rate increases.

"Why do we turn around and give them our money on state contracts?" he says. "Why do we want our state dollars going into Wall Street bonuses instead of local small business loans?"

People - and institutions - don't switch banks easily. Individuals often choose an institution because it's nearby or offers attractive interest rates. Once they get their box of checks and set up direct deposit, inertia sets in. Many never change banks again unless they move. For institutions, the process can be much more complicated.

While you should switch banks only if it makes financial sense, the Move Your Money campaign does nudge us to review our relationship with banks. That's something all of us should do more regularly.

"As consumers, we have choices, and we can pursue better deals. And we can vote with our feet," says Greg McBride, senior financial analyst with Bankrate.com.

Some Marylanders have voted.

Hamilton Federal Bank in Baltimore has seen a surge in deposits. Deposits usually grow by \$500,000 or \$600,000 per month. In the first two months of this year, they rose \$3.5 million.

"This year, it's been phenomenal," says President Robert DeAlmeida. Some of that business comes from consumers angry at the big banks, but it also can be attributed to paltry rates paid by the giants and market-wary investors pulling money out of stocks, he says.

Arundel Federal Savings Bank credits the campaign for at least one new customer who moved six figures from a mega-institution to the Glen Burnie-based lender.

"We love it, of course," says Ed Lehwald, marketing director of Arundel Federal.

Community banks say they can compete with the big guys on rates and products, but the small-lender advantage is the personal touch.

"People are tired of feeling they are lost in a bureaucracy. And when they come into our branches, we know their names, and their kids' names and their dogs' names," says Jeff Barrett, a vice president of Rosedale Federal Savings & Loan Association.

Rosedale and Arundel Federal don't sell their mortgages to other institutions. "If there is a problem, there is a person here you can talk to, and you can stay until it's solved," Barrett says.

Executives at Baltimore-based Rosedale, awarded top marks by TheStreet.com for safety, started noticing an uptick in customers after regulators seized IndyMac Bank in 2008.

Credit unions also are fans of the Move Your Money campaign, and some have started using the theme in their marketing, says Mark Wolff, spokesman with the Credit Union National Association.

Wallace Farmer, a Baltimore resident, supports the switch to small lenders, saying some banks have become too big.

"The government isn't shrinking them, but we should be shrinking them by taking our money out of them," he says.

Farmer made the move a couple of years ago. He says his regional bank wasn't interested in helping him improve his credit so he could buy a house, so he joined a credit union at work.

"They said, 'We can help you with that.' and they did," he says. He has since bought a car and a house.

States, too, are growing frustrated with big banks.

The legislation proposed in Maryland would give preference to state-chartered banks bidding for business with the state or local governments.

A similar bill was introduced in New Mexico, although it didn't get through the legislature during this year's regular session.

The Maryland Bankers Association opposes the bill. It's unfair to put nationally chartered banks that are strong supporters of Maryland communities at a disadvantage in bidding, says Kathleen Murphy, president of the trade group.

And some small banks don't seem keen on joining the bidding process anyway.

"I don't have the resources to put together a 40-page proposal to win state funds," says Mike Menzies, president of Easton Bank and Trust Co. and chairman of the Independent Community Bankers of America.

For consumers, the decision of where to bank should depend on the institution's products and rates, location and service.

"They should bank where it makes most sense for them," instead of trying to punish the big banks, says banking analyst Bert Ely. He doubts the Move Your Money campaign will reach a groundswell, and says he's not sure the big banks will even notice.

Megabanks certainly don't seem to be quaking in their boots.

**"If you're unhappy with your current institution, contact them. Or find one that works better," says Elise Brooks, spokeswoman for the Financial Services Roundtable, which represents big banks.**

Indeed, don't move solely out of anger at bank bailouts and bonuses. But if it financially and logistically makes sense to go to a smaller bank or credit union - and you get satisfaction from bailing out of a big bank - why not?

Don't jump to just any small player. Community banks and credit unions have failed, too, during this economic crisis. Federal insurance at banks and credit unions will cover you for at least \$250,000 if the institution ever fails, but you still want to find a healthy one.

At [moveyourmoney.info/find-a-bank](http://moveyourmoney.info/find-a-bank) you can plug in your ZIP code to find a community bank near you that has been graded a "B" or better by a risk analyst. Or, find out how banks and credit unions measure up under the Safe & Sound Ratings at [bankrate.com](http://bankrate.com).

### **So Where's Consumer Protection?**

**New York Times**

**March 8, 2010**

**By Andrew Ross Sorkin**

If six of the biggest banking industry lobbying groups are in perfect lockstep on an issue, do they most likely have the best interests of consumers at heart?

No, that's not a trick question.

**The American Bankers Association and its lobbying brethren, including the Financial Services Roundtable, sent a letter last week around Capitol Hill pressing their case that the Federal Reserve should supervise them.**

Last night, they seemed to have lost part of that battle as senators tentatively agreed to limit the Fed's regulatory power over just the biggest banks.

Left unresolved is the much-debated consumer protection agency, which many in the industry also hoped would end up under the Fed's purview.

Their preference for the Fed in itself raises a question about its ability to regulate the banks for the benefit of the system and consumers.

So the questions are these: Should a consumer protection agency have true independence — in effect, its own street address — as many Democrats believe it should, so that it has real power to act on its own? Or should it be given the equivalent of a room in the basement of the Fed, next to the janitor's closet — as the bankers themselves and many Republicans would prefer?

That the debate has devolved into an issue of location, location, location is yet another reminder of how the urgency of the financial crisis now feels like a mud-slog.

Later this week, Christopher J. Dodd, chairman of the Senate Committee on Banking, Housing and Urban Affairs, is expected to finally unveil the Senate's version of a financial reform bill.

It may address some of the big-ticket items that are supposed to avoid another financial fiasco on a global scale — like higher capital requirements for banks to reduce risk, some version of a resolution authority to wind down failing investment banks (like Lehman Brothers) and insurance giants (like A.I.G.), and perhaps a say-on-pay plan.

But the fate of the proposed consumer protection agency remains the biggest question mark.

The Obama administration first proposed the idea of an independent watchdog for consumers to safeguard the citizenry from predatory lenders and fine print.

Its impact would be limited, truth be told. It would do virtually nothing to change the undergirding of Wall Street and its risky products, like derivatives, that helped put the system at risk.

Worse, at least according to the latest reports about drafts of the bill, the agency may not have any oversight of nonbank mortgage companies, which were largely responsible for some of the worst subprime loans to people who could not afford them.

Nonetheless, it is hard to argue against the notion of consumer protection. Democrats have made the agency a requirement of any reform legislation. Republicans have argued that it is unnecessary given that regulators already have the power over banks' behavior (even though regulators didn't use those powers when they needed to).

So the debate has turned to this question of who should run this agency. The Democrats want it to be run independently (though Mr. Dodd thinks the Treasury would be best if he had no other choice).

Republicans and most of the banks want it inside Federal Reserve, where they say it will be free of political influence (though Senator Richard Shelby has suggested the F.D.I.C. as an alternative).

**“We haven't seen the details yet, but believe that consumer protection and bank supervision should be housed under the same roof,” said Scott Talbott, senior vice president for government affairs for the Financial Services Roundtable. “Just as bank regulators with a myopic focus on safety and soundness didn't work, a consumer regulator that doesn't consider the bank, is not the most effective way.” (Put another way: one regulator is enough.)**

**Edward L. Yingling, president of the American Bankers Association, differs somewhat with Mr. Talbott. He says, “We don't care where you put it,” adding that their position has always been “we're totally against it.”**

Word is that Mr. Dodd's reform proposal, which seems to get more watered down by the day, may end up making the agency part of the Fed as part of a compromise, an idea that has Congressman Barney Frank up in arms.

“After all the Fed bashing we've heard? The Fed's such a weak engine, so let's give them consumer protection? It's almost a bad joke,” Mr. Frank told Politico last week.

In fairness, if everyone were to agree that the agency is not going to be independent, the Federal Reserve may be the best place for it, given that it is one of the few places in Washington with an understanding of the banking system and markets.

The Securities and Exchange Commission would seem a natural place for a consumer protection group because part of its mission is, ostensibly, to protect consumers in the stock market. But its recent track record — think Madoff — is not exactly stellar.

What's so interesting about the battle over the proposed consumer protection agency is that Republicans have painted the Obama administration as being in the tank with Wall Street.

But now they are the ones that seem to be helping Wall Street this time around.

### **Securities and Banking Industries Urge Senate to Retain Fed Regulatory Powers**

**CCH Financial Crisis News Center**

**March 8, 2010**

**By James Hamilton**

**The securities and banking industries believe that the Federal Reserve Board should continue to play a regulatory role in the new financial regulatory system being crafted by reform legislation. In a letter to Senate Banking Committee Chair Chris Dodd and Ranking Member Richard Shelby, industry groups asked that the Senate not separate the Fed's monetary policy role from the central bank's financial regulation function. The letter was signed by the American Bankers Association, the Securities Industry and Financial Markets Association, and the Financial Services Roundtable.**

While recognizing that the primary responsibility of the Fed is monetary policy, the industry groups said that it would be a mistake to limit the Federal Reserve to regulation of only large, complex institutions headquartered in major financial centers. The Fed needs a broader regulatory focus to ensure that for both its central bank and regulatory functions it has a clear view of banks of all sizes, from all regions, and from differing types of communities, emphasized the groups.

In addition, in its basic role as a central bank the Fed acts as lender of last resort to stem liquidity crises that can arise from or feed financial panic. This is not support to be used to prop up failing institutions, noted the groups, but rather a means of helping solvent institutions cope with the danger of bank runs or other exceptional liquidity demands. That is why the Federal Reserve requires strong collateral for borrowing at the discount window.

The industry groups also observed that the institutional information and insights obtained by the Fed through its regulatory activities are essential to the proper

conduct of its lender of last resort responsibilities and its understanding of the needs and activities of the financial institutions that might call upon Fed facilities. Again, this experience must come through supervision of banks of all sizes and in all regions.

## **Another Wall Street Bonus Tax Falters in Congress**

**Huffington Post**

**March 9, 2010**

**By: Ben Protess**

Few topics have generated as much political heat between Main Street and Wall Street as the billions of dollars in bonuses handed out at financial companies that received federal bailouts. But Washington's efforts to claim some of that money for taxpayers continue to falter.

The latest attempt is a measure authored by Democratic Sens. Jim Webb of Virginia and Barbara Boxer of California. It would impose a one-time 50 percent tax on 2009 bonuses of more than \$400,000 paid by the 13 firms receiving the most federal bailout money.

The plan appears to be crumbling amid opposition from two financial industry-lobbying powerhouses and hesitation among moderate Democrats and key New York politicians, including Sen. Charles Schumer. It has little chance of surviving a procedural vote expected late Tuesday, according to legislative aides and industry lobbyists.

The New York State Comptroller recently reported that bonuses paid to New York City securities industry employees jumped 17 percent last year. JPMorgan Chase & Co. awarded its employees about \$26 billion in salaries and bonuses; Goldman Sachs employees earned about \$16 billion.

Webb and Boxer have pitched their tax as an act of fairness—and a way to reduce the ballooning federal deficit. “As a matter of equity, the reward should be shared with the taxpayers who made it possible,” Webb said on the Senate floor.

Webb and Boxer want the bonus tax attached as an amendment to a roughly \$150 billion bill that would extend unemployment benefits and tax credits. Although technically still alive, the bonus tax is likely to be formally abandoned Tuesday after a procedural vote on the larger bill.

New York politicians, including Mayor Michael Bloomberg and Sens. Charles Schumer and Kirsten Gillibrand, have raised concerns about the latest

congressional attempt to tax Wall Street bonuses. (Flickr Photos by Freedom To Marry and shooting brooklyn)

Lawmakers and the Obama administration have grappled with the bonus issue for months. Last March, in the wake of AIG's payout of about \$150 million in bonuses, the U.S. House overwhelmingly passed a bill imposing a 90 percent tax on bonuses awarded by bailout recipients. The Senate never passed a comparable bill.

This year, Sen. Sherrod Brown (D-Ohio) proposed a 50 percent tax on executive bonuses above \$25,000. A group of House Democrats floated a similar plan. Neither has gained traction.

President Obama has his own \$90 billion tax plan, which he said will "recover every single dime the American people are owed." Rather than tax specific employees, Obama's "financial crisis responsibility fee" would apply directly to about 50 firms with more than \$50 billion in assets. Obama included the tax in his recent budget proposal.

In a letter to Sen. Charles Grassley (R-Iowa), the nonpartisan Congressional Budget Office said Obama's plan would have a "small" impact on bailed-out firms. "The cost of the proposed fee would ultimately be borne to varying degrees by an institution's customers, employees, and investors," the letter said.

Webb and Boxer's tax would apply only to 13 companies that took more than \$5 billion in taxpayer funds. The proceeds would be applied toward reducing the deficit. Regulators in Britain have implemented a similar plan, called a "supertax," which according to recent reports will reap more than \$3 billion for the government.

Last week, the Senate's number two Democrat, Richard Durbin of Illinois, signed on as a co-sponsor to Webb and Boxer's bonus tax. Senate Majority leader Harry Reid expressed support for the plan as well.

Webb and Boxer also reached out to Republicans by targeting bonuses paid by mortgage finance giants Fannie Mae and Freddie Mac, which have elicited conservative ire for having unlimited access to taxpayer funds.

But some moderate Democrats opposed the bonus tax and sought to keep it from getting a vote, according to sources in the financial industry and on Capitol Hill. The moderates, according to one source, feared that in an election year the business lobby would target them as being pro-tax.

Some finance committee members, meanwhile, expressed hesitation because the tax didn't go through the committee's typical vetting process.

New York's senators -- Schumer and Kirsten Gillibrand -- also raised concerns with fellow lawmakers. Their spokesmen say that the New York Democrats haven't formally opposed the bonus tax, but would face an uncomfortable decision should it ever come to a vote.

Why uncomfortable? On the one hand, the senators have repeatedly expressed support for reining in Wall Street excess. On the other, Wall Street is a top contributor to the New York economy—and their campaigns.

“Senator Schumer is open to any proposal that will help make taxpayers fully whole after they footed the bill,” said Schumer's spokesman Brian Falon. Schumer's preference so far, Falon said, is Obama's plan because it would tax firms and not employees.

New York City Mayor Michael Bloomberg, a staunch opponent of the bonus tax, added his voice to the debate.

Bloomberg's spokesman, Marc Lavorgna, wouldn't confirm or deny that the mayor called senators to lobby against the bonus tax, but argued that the plan “would take billions of dollars out of the City's economy, money that would otherwise flow to small business and the middle class families who own them and work in them.”

Lobbyists fighting the bonus tax echoed these concerns.

In a letter to senators, The U.S. Chamber of Commerce, a leading business lobby in Washington, warned in a letter to senators that the tax “would hamper efforts to resolve the ongoing financial crisis, restore economic growth, spur job creation and is likely unconstitutional.” The chamber noted that employees received bonuses as part of “contractual obligations.”

**The Financial Services Roundtable, a trade group representing banks including JPMorgan Chase & Co., also opposed the plan.**

**Senate financial bill appears likely to keep Fed as regulator of big banks**  
**The Washington Post**  
**March 10, 2010**  
**By Brady Dennis**

Key members of the Senate banking committee are coalescing around legislation that would strip the Federal Reserve of much of its regulatory authority but would leave the central bank with oversight of the nation's largest banks, according to aides familiar with the ongoing negotiations.

Under the plan, the Fed would continue to supervise only 23 bank-holding companies with assets exceeding \$100 billion. Supervision of the nearly 5,000 banks below that threshold would fall largely to a proposed new regulator to be created by merging the Office of Thrift Supervision and the Office of the Comptroller of the Currency, aides said.

In addition, the Federal Deposit Insurance Corp. would take over regulation of more than 800 state-chartered banks that currently are part of the Federal Reserve System, according to the aides, who spoke on condition of anonymity because the talks are still ongoing and the provisions still could change.

Banking committee Chairman Sen. Christopher J. Dodd (D-Conn.) and freshman Republican Sen. Bob Corker (R-Tenn.) have been negotiating for weeks the particulars of a sweeping overhaul of the nation's financial regulatory system and hope to have a draft within the next week.

Dodd's initial draft of the bill last fall stripped the Fed entirely of its regulatory authority, leaving the central bank with the sole purpose of overseeing the nation's monetary policy. The Fed's prospects for retaining any oversight duties seemed uncertain at best, as committee members on both sides of the aisle heaped criticism on the agency for its failures in the lead-up to the financial crisis.

But in recent weeks, that criticism seems to have softened, and key lawmakers have concluded that the Fed should be entrusted with at least some regulatory responsibilities.

**Industry officials have argued that the Fed should continue in its role as a bank supervisor. Just last week, a group of high-profile industry groups, including the American Bankers Association, the Financial Services Roundtable and the Independent Community Bankers of America, argued in a letter to committee members that stripping the Fed of supervisory authority would lead to a weaker regulatory system. They pushed lawmakers to let the Fed continue to oversee both large and small firms.**

**"The Federal Reserve needs a broader regulatory focus to ensure that for both its central bank and regulatory functions it has a clear view of banks of all sizes, from all regions, and from differing types of communities," they wrote.**

Senate aides said that the Fed's regional presidents also have been lobbying to retain supervision of banks under their jurisdiction, arguing it is central to devising successful monetary policy. But some lawmakers remain skeptical. "It has a lot to do with the fact that they would lose size and their reason for being," one aide said.

Oddly enough, the same senators weighing whether to curtail the Fed's supervisory powers are leaning toward putting a new consumer-protection regulator inside the agency in a compromise over one of the most divisive elements of the financial reform debate.

Democrats and the administration have pushed for a free-standing consumer-protection agency, but Senate Republicans were willing only to place the new regulator inside an existing agency. Democrats objected to putting it under a proposed national bank supervisor, while Republicans objected to placing it inside the Treasury Department. The Fed emerged as the last remaining option.

Key issues about the consumer regulator remain unresolved, such as whether it could impose rules over the objections of banking regulators. Dodd and Corker also are negotiating how broadly the rules would apply to financial institutions other than banks.

**Help offered to struggling home owners**  
**KOLD News in Arizona**  
**March 10, 2010**  
**By Jim Becker**

It's generally agreed if home owners and lenders have problems and stop talking to each other, that's a bad sign.

**In Arizona, Mortgage foreclosures are up sharply over last year but may have leveled off in the last quarter of 2009, according to Hope Now Alliance, a partnership of non-profit groups and financial institutions.**

The group, working through an Obama Administration program Making Home Affordable, is putting on workshops in the Tucson and Phoenix area to encourage lenders and home owners to sit down face to face.

A representative from the US Treasury says the program 'incentivizes' (sic) banks to modify loans, making mortgages more affordable.

That's good news for Fred and Sandra Hoy-Johnson of Oro Valley, who bought their home with an interest free loan (first five years) ten years ago.

Since then, with the market in decline, the couple has seen their home value and their loan remain level with each other, giving them virtually no equity.

"This should be the quiet time for us," says Sandra, expecting the golden years to mean something other than stressing about a mortgage.

Tucson has just held its second workshop, but two more are scheduled this week for the Phoenix area at the Glendale Civic Center, Thursday, March 11, from 1pm to 7:30pm and Friday, March 12, from 10am to 6pm.

**Cyberattacks raise e-banking security fears**  
**ComputerWorld.com**  
**March 10, 2010**  
**By Jaikumar Vijayan**

The unabated plundering of online bank accounts belonging to small and midsize businesses is raising significant questions about the authentication and fraud-detection mechanisms now used by financial institutions.

Such cyberthefts have led multiple businesses to file lawsuits against their banks and prompted government regulators to call on financial institutions to improve their security systems.

The FDIC recently disclosed that during the final 2009 quarter alone, cyberthieves stole more than \$150 million from small and midsize business accounts.

In most of those cases, the FDIC said, thieves obtained a business's valid banking log-in credentials by illegal means. The hackers used the stolen credentials to send money from the accounts to overseas bank accounts via wire transfers.

Banks, by and large, have mostly contended that the thefts occurred because the victims failed to adequately protect their banking credentials.

Since banks are not required to reimburse commercial accounts for losses resulting from such thefts, most of the impact has been on public relations.

On the other hand, the thefts have led to tens and even hundreds of thousands of dollars in losses for numerous small businesses, which now have little hope of recovering the money. Some have filed lawsuits against banks, charging that they failed to detect and stop transactions that were patently fraudulent.

Earlier this month, for example, Hillary Machinery Inc. filed a lawsuit against its bank, PlainsCapital, after online crooks used stolen credentials to transfer more than \$800,000 from its account last year.

The bank later recovered about \$600,000 of the stolen funds but has so far refused to compensate the Plano, Texas-based manufacturing firm for the remainder.

In its lawsuit, Hillary charged that PlainsCapital did not stop wire transfers that involved foreign bank accounts and dollar amounts completely out of norm for Hillary. The company claimed that it had a reasonable expectation that its money would be properly protected by the bank. The company also argued that a small business cannot be expected to hold significant expertise on data security issues.

In a similar case, a Sterling Heights, Mich.-based manufacturing firm is suing its bank after online thieves stole some \$560,000 from the company's online bank account via a series of unauthorized wire transfers last year. The lawsuit that Experi-Metal Inc. filed late last year blamed the theft on Comerica Bank's alleged failure to heed signs that should have alerted it to the fraudulent activity.

Though it's unclear yet how courts are going to rule on such lawsuits, the attacks have prompted many questions about the authentication and fraud-detection mechanisms used by many banks.

As far back as 2005, the Federal Financial Institutions Examination Council issued guidelines to banks on implementing stronger authentication for online transactions. Among other things, the "Authentication in an Internet Banking Environment" report called on banks to upgrade current single-factor authentication processes -- typically based on usernames and passwords -- by adding a stronger, second form of authentication by the end of 2006.

The unceasing attacks on small-business accounts show that many banks, especially small community banks, have still not deployed such controls, said Avivah Litan, a Gartner Inc. analyst.

"The good news is there are plenty of effective fraud-detection and authentication solutions that can and are thwarting these attacks when employed by the banks," she said. "The bad news is that many banks are not using these solutions and the bank regulators are not paying adequate attention to this."

Regulators such as the FDIC and the federal Office of the Comptroller of the Currency have so far not enforced their own recommendations for strong authentication. "The bank examiners are really behind the eight ball on this," Litan said.

**Paul Smocer, vice president of security at BITS, an industry consortium representing the 100 largest financial institutions in the U.S, said there has been a "real uptick in sophistication" in cyberattacks targeting commercial accounts over the past six months or so.**

**Such attacks are seriously testing token-based authentication measures that have been used by banks for many years, Smocer said.**

**"Until fairly recently, token-based authentication was considered to be very strong," he said. However, as banking malware becomes increasingly sophisticated, "token methodology is not as strong as it has been historically."**

**Smocer said there is a rapidly increasing need for context-aware and out-of-band authentication tools as well as monitoring tools that are capable of detecting fraud by comparing current transaction patterns against historical behavior. "We are starting to see a lot of our members move in that direction," he said.**

**BITS has started advising members on ways to identify accounts used by so-called money mules to transfer stolen money to overseas bank accounts. "By working with law enforcement, we are seeing patterns beginning to emerge with regard to the nature of the activity that mules often engage in," Smocer said.**

The attacks are pushing bodies such as the American Bankers Association to ask members to review internal security controls.

In a February alert, for example, the ABA asked banks to be on the alert for funds-transfer fraud involving small and medium-size businesses. The alert specifically cited "large-value" payments to previously unknown payees, unusual international payments and new accounts "with high-value, high-volume transactions [and] previously unfunded accounts with large-value incoming funds that are cashed out as soon as funds are cleared."

The bankers association is "strongly recommending" that banks review existing controls, such as their anti-money-laundering tools, to determine whether features can be added to fulfill the recommendations, said Doug Johnson, senior policy adviser at the ABA. The ABA is also advising members to implement multiple layers of security for detecting fraud in much the same way that credit card companies have for years, he added.

"Cybersecurity is always an arms race. It is incumbent upon financial institutions to be vigilant. If the exploits change, the defenses have to change with them," said Johnson who is the ABA's representative on Financial Services Sector Coordinating Council. "We are obviously very much concerned about the potential for these exploits to really damage the relationship between the customer and the bank, and we will do everything in our power" to alleviate the situation, he added.

### **Finance Lobby: Regulate, Don't 'Overregulate'**

**National Journal**

**March 10, 2010**

**By Ashlie Rodriguez**

**As Sens. Christopher Dodd, D-Conn., and Bob Corker, R-Tenn., draft a financial regulatory bill, consumer and finance industry lobbyists are working tirelessly to influence the outcome. Consumer groups support the creation of a strong Consumer Financial Protection Agency, but the financial services lobby is skeptical of "overregulation," in the words of Scott Talbott, senior vice president for government affairs with The Financial Services Roundtable.**

**Talbott, who represents 100 of the largest companies in the finance industry, refused to speak directly about the ongoing Senate negotiations in an interview last week with National Journal, but he was willing to discuss what steps the industry wants Washington to take in confronting a financial system in crisis.**

Edited excerpts follow.

NJ: Do you think the government should have let the banks fail so as to deter institutions and investors from taking unwise risks in the future?

**Talbott: Yes. We think that the concept of "too big to fail" should go away. We think that there shouldn't be an implicit government guarantee of financial institutions. If they make decisions that lead to their own demise, then they should be allowed to fail.**

NJ: The big issue right now is consumer protection. So what should the government do to address this need?

**Talbott: We agree we need to protect consumers. There's lots of things that government can do.... You can strengthen the regulation to make them more effective...**

NJ: And the banks are okay with that?

**Talbott: Yes, and here's why: The fate of the institution and the fate of its consumers are inextricably linked. So if a bank makes a loan to a customer who can't repay that loan, it clearly doesn't help the customer, but it also does not help the bank. And so strengthening consumer protection will help ensure that both the customer and the bank benefit.**

NJ: How would you respond to attacks from consumer groups that say the financial services lobby is driving the agenda, is willing to hurt consumers in attempt to protect profits, and stalling progress on reform?

**Talbott: Driving the agenda? Okay, all interested parties have a role to play. Members of Congress listen to both sides of an issue before making a decision, and I flatly reject the assertion that the industry is driving the agenda.**

**A willingness to hurt consumers? I clearly will reject that assertion because as I said, the fate of the institution and the fate of the consumer are inextricably linked. Because if you harm your own customers you are hurting yourself.**

**Actually, we're in favor of reform. We're pushing for it. We are not stalling it; we're trying to advance it.**

NJ: What aspects are you trying to advance?

**Talbott: We are for a good, bipartisan bill that strengthens our system to prevent [the financial crisis] from happening again. We are for things like systemic risk authority, we are for strengthening consumer protection, we are for resolution authority.**

NJ: Why was there a 12 percent increase in lobbying by big banks last year?

**Talbott: A couple things. One, there has been culpability, there have been mistakes. Two... this is a watershed moment. This is the history of the future. The regulation of the industry is being decided, so it's important for members of Congress to hear both sides of the issue.**

NJ: Would it be a good idea to have more government oversight of mortgage lending?

**Talbott: Well, not necessarily. There are other ways to skin a cat. We are for a concept called "skin in the game," which requires a mortgage lender to hold**

**some piece of the mortgage that they made on their books. On a more basic level, we're for a concept called "ability to repay" -- we don't think a loan should be made unless the borrower has a demonstrated ability to repay that loan.**

NJ: Do you think more regulations on other companies not covered by banking rules, like credit counseling agencies, debt collectors and payday lenders, are needed?

**Talbott: Yes. There already are regulations on credit cards. We have the new CARD law that just went effective a couple of weeks ago.... I don't represent payday lenders, so I won't answer that question directly as it relates to payday lenders, but we think there is a need for some protection of the consumers in the shadow banking industry -- and I'll just use that term loosely.**

NJ: Why was the financial industry weak in the first place?

**Talbott: It wasn't weak in the first place. It just needs to be strengthened more. Here's what I think happened: Regulators are usually slightly behind the markets. It takes awhile for the regulators to catch up with the markets. We have an example of that here. In general, innovation is good. We want companies to try new products and to develop new ideas and new goods and services. That helps advance the economy and helps consumers. There used to be a time when you had to go to the bank before the weekend because there were no ATMs... There used to be only 30-year fixed mortgages; there was no such thing as a 15-year...**

**So you want companies to develop. What happened was, following Gramm-Leach-Bliley, there was a growth in the industry and our regulatory system did not keep pace. It failed to modernize with our financial services industry. So what we're trying to do here is modernize our regulatory framework such that we decrease and manage the risk better and strengthen the system to help ensure that this type of crisis never happens again, or if it does, to reduce its impact...**

**So when we say we want to strengthen the system, that's what we're talking about. What we don't want to do is overregulate and over-stifle; we still want to allow the industry as well as consumers to have a free flow of capital, a free flow of ideas, and continue to develop new products and goods and services. You want to strike the right balance between protecting the consumers, modernizing the regulatory framework, without stifling creativity, innovation, and the free flow of capital and ideas.**

**And that's the challenge, and there's no roadmap here. There's no historical precedent that we can point to, and thus it's important for everybody to weigh in with their ideas to help shape the answer. Those that say the industry is stifling the efforts -- well, there's also the possibility that there may have been a bad idea out there. What we're all united on is the same goal. The discussion is, what's the most effective way to achieve that shared goal?**

### **Talbott Sees Financial Rules Bill in a `Couple of Days': Video**

**Bloomberg**

**March 10, 2010**

**By Lori Rothman**

Scott Talbott, senior vice president of government affairs at the Financial Services Roundtable, talks with Bloomberg's Lori Rothman about the overhaul of U.S. financial rules. (Source: Bloomberg)

To view the clip please [click](#) here.

### **John Stumpf Appointed to Target Corporation's Board of Directors**

**Wall Street Journal Marketwatch**

**March 11, 2010**

Target Corporation announced today that John Stumpf, Chairman, President and CEO of Wells Fargo & Company, has been appointed to its Board of Directors, effective immediately. Stumpf will replace George Tamke, who retired from the board on March 9, 2010.

Stumpf is a 28-year veteran at Wells Fargo, having joined the former Norwest Corporation (predecessor of Wells Fargo) in 1982. He was named Chief Executive Officer in June 2007, elected to Wells Fargo's Board of Directors in June 2006, and has been President since August 2005. He became Chairman at Wells Fargo in January 2010. **He serves on the Board of Directors for The Clearing House and the Financial Services Roundtable.** He also serves on the Board of Trustees of the San Francisco Museum of Modern Art. He earned his bachelor's degree in finance from St. Cloud State University, St. Cloud, Minnesota and his MBA with an emphasis in finance from the University of Minnesota.

"We're very pleased to welcome John to our Board," said Gregg Steinhafel, Chairman, President and Chief Executive Officer of Target Corporation. "The Board and the company will benefit from John's substantial banking experience and business insights, particularly with respect to our credit card and real estate strategies."

The Board has not made a determination regarding any committee assignments for Mr. Stumpf.

George Tamke has served on Target's Board since 1999. He is a partner at Clayton, Dubilier, & Rice, a private investment firm. He is a director of Culligan, Ltd., Hertz Global Holdings, Inc. and Service Master Global Holdings, Inc.

"We are very grateful for George's contributions to Target's Board, and wish him the best of luck in his future pursuits," said Steinhafel. During Tamke's tenure, Target nearly doubled its store count and made several key strategic changes, including the decision to sell its Mervyn's and Marshall Field's divisions.

Target also announced today that Richard Kovacevich, former Chairman and CEO of Wells Fargo & Company, intends to retire from Target's Board of Directors on December 31, 2010. Kovacevich has served on Target's Board since 1996.

Target Corporation's retail segment includes large general merchandise and food discount stores and Target.com, a fully integrated on-line business. In addition, the company operates a credit card segment that offers branded proprietary and Visa credit card products. The company currently operates 1,740 Target stores in 49 states.

Target Corporation news releases are available at [www.target.com](http://www.target.com).

### **Free help to prevent foreclosure**

**AZ Central**

**March 10, 2010**

**By: Melissa Blasius**

Free help to avoid foreclosure is coming to the Valley.

**You can meet face-to-face with major lenders and specially-trained housing counselors during a federal HOPE NOW event. Homeowners can discuss loan modification options and start the process on site.**

The free homeownership preservation workshop will be held at the Glendale Civic Center, located at 5750 W. Glenn. The hours are Thursday 1 p.m. to 7:30 p.m. and Friday from 10 a.m. to 6 p.m..

**No appointment is necessary; however, you are asked to bring several financial and property documents. For a list of what to bring, go to the HOPE NOW website.**

**Small Business Owners: Beware of Fraud**  
**Small Business CEO**  
**March 11, 2010**

**Small business owners have a higher risk of identity fraud than other adults according to a recent study co-sponsored by ITAC, the Identity Theft Assistance Center, and The Financial Services Roundtable.**

The Javelin Strategy & Research 2010 Identity Fraud Survey Report found that overall identity fraud grew by 14% in 2009 to 11.1 million adults, in part due to the economic downturn. Small business owners are one-and-a-half more times likely to be a victim than other adults

**“The higher incidence of identity fraud among small business owners is probably due to the fact that they have more accounts and conduct more transactions,” said ITAC President Anne Wallace.**

**Wallace suggests small business owners treat their personal information like cash - protect it and be stingy.**

- Be suspicious of requests for your Employer Identification Number (EIN) or your social security number
- Install and update computer anti-virus software, operating system and applications updated
- Store personal records - like tax and mortgage records - outside the workplace, limiting access to parties
- Monitor internal bookkeeping for unauthorized withdrawals and purchases
- Monitor accounts online instead of waiting for a paper statement, or consider an identity management service, like **ITAC Sentinel®**, to alert you to suspicious activity

For more information on identity theft prevention, detection and recovery, visit [www.bbb.org/data-security/](http://www.bbb.org/data-security/).

**Overhaul Rules Stuck On Financial Protection Agency**  
**NPR**  
**March 11, 2010**  
**By: Renee Montagne**

Scott Talbott, Senior Vice President of Government Affairs, appeared on NPR this morning to discuss the proposed Consumer Financial Protection Agency.

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

### **Dodd to offer his own financial regulation bill**

**Associated Press**

**March 11, 2010**

**By: Jim Kuhnhen**

Unable to muster bipartisan agreement on key banking provisions, Senate Banking Committee Chairman Christopher Dodd said Thursday he will offer his own version of a sweeping overhaul of financial regulations without Republican support. "Clearly, we need to move along," he said.

A month of talks between Dodd and Republican Sen. Bob Corker had found common ground, but details on key provisions, including consumer protections and other sticking points, remained unsettled.

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

He said he hoped the Senate could act on a bill sometime in the spring.

Dodd's go-it-alone choice comes in the midst of an emerging culture of high partisanship on Capitol Hill, where Democrats and Republicans have been at odds for over a year on health care changes, little progress has been made on climate change and energy legislation, and members of both parties watch warily as an angry voting public continues to show heavy disdain for incumbents.

While Dodd praised Corker and insisted his proposed bill would incorporate many Republican ideas, the development raised new questions about Congress's ability to respond to a financial crisis that erupted more than 18 months ago with the collapse of Lehman Brothers.

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

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

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

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

"He made me aware that with reconciliation coming, he felt a need to go ahead and, regardless of where we were in negotiations, to put forth a bill on Monday," Corker said, using the term that describes the process that makes it easier for majorities to succeed. "I understand the pressure that he is under."

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

"The time is shrinking to get this done," he said.

Sen. Judd Gregg, R-N.H., a member of the Banking Committee, said he remained optimistic that the committee could still write a bipartisan bill. But Gregg said the use of reconciliation has damaged relations in the Senate.

"It clearly poisons the well, it's a clear attempt to ram something through the minority," he said

Dodd in November proposed a draft bill that drew swift Republican objections. Dodd, aware that he now needs Republicans on the bill to overcome a Senate filibuster, then tried to negotiate with the committee's ranking Republican, Sen. Richard Shelby of Alabama. When those talks stalled, Dodd turned to Corker, of Tennessee, in hopes of bridging some differences.

The main obstacle remains a proposed Consumer Financial Protection Agency that the president has made one of the central provisions in the bill. The House version provides for such a stand alone agency, which would regulate institutions that offer credit, mortgages or other consumer financial products.

Though Corker said he and Dodd had an agreement on the main details of a consumer plan, Dodd said it remained an outstanding issue.

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

Dodd had proposed placing such an agency inside the Treasury Department and giving federal bank supervisors some say in the consumer entity's regulations. Corker countered with a proposal to place the agency inside the Federal Reserve. But the two were unable to find common ground on how much independence to give it.

**Even in tight times, it's possible to start saving**  
**Chicago Tribune**  
**March 11, 2010**  
**By: Kara McGuire**

Saving is good.

The big problem is how to get people to put money away.

Sometimes, turning spenders into savers is as easy as setting up an automatic transfer from checking to savings, or enrolling in a workplace retirement plan. Other times, it's not the desire that's lacking, it's the money.

A new survey of more than 1,000 Americans conducted for America Saves Week, an annual event put on by 100-plus organizations to promote savings, found that the less you earn, the less likely you are to have a savings account.

Add in the times, when pay cuts are the norm, and how can Americans, especially the working poor, save much of anything?

But while proposals wend their way through Washington on everything from giving savings accounts to newborns to establishing automatic workplace pension plans, what can we do to ramp up savings?

Start small: Tracy Fischman, executive director of AccountAbility Minnesota, a nonprofit that prepares taxes for low-income people, suggests that those living paycheck to paycheck get into the savings habit with as little as \$5 per week. Jason Fichtner, chief economist for the Social Security Administration, suggests \$2 per day.

**Automate: Studies show that people are more likely to stick with saving if it's effortless. The Financial Services Roundtable, a trade group of large financial institutions, is urging members to offer free regular transfers from checking to savings, low minimums for automatic savers and incentives for customers to put savings on autopilot.** Set up regular transfers into a U.S. Bank S.T.A.R.T. (Savings Today and Rewards Tomorrow) account, for example, and you'll receive a \$50 Visa gift card when your balance reaches \$1,000. (Wouldn't a \$50 savings bonus make for a more consistent message?)

Save your refund: A CompleteTax survey showed that more than a third of taxpayers plan to save their refunds this year, but workers making less than \$50,000 are most likely to pay bills with theirs. Since 2006, Fischman's group has helped open 2,200 savings accounts.

Get the match: If your employer matches a certain amount of retirement savings, try to snatch that free money. Unfortunately, this benefit was one of the first things many employers cut in the recession. But eight in 10 companies plan to bring them back in 2010, according to human resources consultant Hewitt Associates. The bad news is that one-third of employees with 401(k) plans don't receive matching funds in any economy, and not every employee has a workplace retirement plan.

Find a match somewhere else: Individual Development Accounts are designed to help low-income people build assets by matching savings to help start a business, buy a house or get an education. Learn more about these accounts at [idaaccount.com](http://idaaccount.com). You can also check IRS.gov Publication 590 to see whether you qualify for the Saver's Credit, which will match up to \$1,000 in retirement savings for individuals and up to \$2,000 if filing jointly.

Take action: America Saves Week was the last week in February, but you can take stock of your progress all year and sign up for monthly savings messages at [americasavesweek.org](http://americasavesweek.org).

### **Plan to push financial reform bill forward could be giant step back**

**Los Angeles Times**

**March 12, 2010**

**By: Jim Puzzanghera**

Reporting from Washington - Congressional attempts to pass the most sweeping overhaul of financial regulations since the Great Depression suffered a potentially devastating blow Thursday as the lead senator working on the legislation vowed to move forward next week without Republican support.

With the legislative clock ticking and bipartisan talks stalling, Senate Banking Committee Chairman Christopher J. Dodd (D-Conn.) said he needed to press ahead without the consensus legislation he has been seeking during weeks of intensive negotiations with Republicans.

"The moment has arrived to put down a proposal," Dodd said about an overhaul that is a top priority this year for President Obama.

Dodd said he was optimistic about passing a bill this spring that would dramatically restructure the federal regulatory system to avoid a repeat of the financial meltdown that staggered the U.S. and world markets.

But even though bringing a bill before his committee represents progress toward passing legislation this year, Republicans have the votes to stop any legislation in the full Senate if they don't like it.

**"A bipartisan bill is the most likely way to achieve success," said Scott Talbott, chief lobbyist for the Financial Services Roundtable, which represents large financial firms. "Without bipartisanship, the bill faces an uphill battle."**

Dodd's attempts to lure Republican support have been unsuccessful. He negotiated for weeks with Sen. Richard C. Shelby (R-Ala.), the committee's top Republican, before reaching an impasse in early February. Dodd then began talks with Sen. Bob Corker (R-Tenn.), and their staffs have been working around the clock in recent days to resolve their differences.

Although the talks have been fruitful, Dodd said Thursday "a few outstanding issues remain," and time is running out for the Senate to deal with a complex bill this year with midterm elections looming.

Dodd said he would unveil his latest draft of the legislation Monday, which would reflect Corker's input, and the committee would begin considering it the following week before lawmakers leave Washington for a two-week recess. Dodd promised to continue talks with Republicans in hopes of hammering out a bipartisan agreement.

But there is strong opposition among Republicans, as well as the financial industry, to key aspects of the legislation. The House passed a sweeping overhaul in December without a single Republican vote.

The House bill, which closely resembles the Obama administration's proposal, aims to prevent a repeat of the financial crisis by making major changes to the federal government's oversight of the industry.

It would create an independent agency to protect consumers in the financial marketplace, give the government broad new power to seize and dismantle large financial firms whose failure would pose a risk to the economy, allow regulators to break up firms they deem too large and expand oversight of the complex world of derivatives.

Dodd, who is leaving at the end of the year, promised that his bill would end the problem of institutions that are seen as too big to fail and require federal bailouts.

"In the limited time I have left before I retire, I'm determined to have that end," he said.

But Republicans hold enough seats to filibuster any legislation, and failure to produce a bipartisan financial regulatory bill spells trouble for the White House. Obama had pushed Congress to pass the regulatory overhaul last year, and Democrats are eager for a legislative victory -- particularly one that directly addresses the causes of the deep recession -- as they head into congressional elections in November.

"Given what the American people have lived through as a result of that economic collapse, I don't believe many [lawmakers] are going to want to go home and face voters next November not having done something," White House Press Secretary Robert Gibbs said.

Corker said Thursday that Dodd's role as a key player in trying to push through a major healthcare bill in the coming weeks led him to pull the plug on their talks even as the pair were close to final agreement.

"I told him we're on the five-yard line; we can get this done, let's just keep our heads down," Corker told reporters. "There's no question that White House politics and healthcare have kept us from getting to the goal line." He said he was disappointed but would continue to work with Dodd.

Dodd said the healthcare bill wasn't the reason for moving ahead with his bill.

"The real problem I'm facing is that clock," he said.

In addition to his talks with Corker, Dodd assigned bipartisan pairs of senators to work on some specific parts of the legislation, such as new rules for derivatives. By all accounts, those teams have made good progress.

But Dodd and Corker were dealing with some of the most controversial parts of the legislation, particularly the new consumer agency. Dodd's attempts to find common ground with Corker on the agency, which many Republicans and the financial industry strongly oppose, has led to a backlash from some Democrats.

Jaret Seiberg, a financial policy analyst at Concept Capital's Washington Research Group, said there still was plenty of time for bipartisan agreement before the full Senate took up the bill.

"What matters most is progress," Seiberg said. "This moves the legislation to a committee vote, and we fully expect Republicans to re-engage before the bill goes to the floor and that's when we expect the major compromises to occur."

But Corker said he couldn't imagine "passing a bill with this type of substance in it out of a committee in a week."

**FREE seminar for Arizona homeowners in trouble  
KNXV ABC15  
March 11, 2010**

Are you having a hard time making ends meet?

Housing counselors and representatives from lenders will be available to help homeowners facing foreclosure at an event in Glendale on Thursday and Friday.

**The federal government's Making Home Affordable and Hope Now Alliance programs are sponsoring the event at the Glendale Civic Center.**

Homeowners struggling to make their mortgage payments will be able to meet face to face with lenders and counselors approved by the federal Housing and Urban Development Department.

Paula Menzel ran into financial trouble after her husband died.

Menzel said she has tried working repeatedly with her lender but has had no luck.

"They wouldn't talk to me and then they were nasty or I would call and nobody would call me back and I could never get a definitive answer," said Menzel.

Menzel, like many frustrated homeowners facing foreclosure, came to the workshop on Thursday hoping to get her monthly house payment lowered.

After problems trying to contact her lender on the phone, Menzel said she was able to meet one on one with a representative from her lender and made progress.

"She said she was personally going to follow up with me and to call every week. She was awesome. It restored my faith," said Menzel.

Menzel said she found out Thursday she would get to stay in her home while the lender worked on finding a way to lower her monthly payments.

"I don't have a definitive answer yet which is disappointing but I have peace of mind that at least they have everything they need and they're working on it," said Menzel after meeting with the representative.

It is important to bring the appropriate paperwork, such as mortgage documents, tax returns and other financial documents.

The Making Home Affordable program is designed to stabilize the housing market and help up to 9 million Americans reduce their monthly mortgage payments to more affordable levels.

It's anticipated that more than 1,000 greater-Phoenix homeowners are expected to attend the event on Thursday from 1 - 7:30 p.m. and on Friday from 10 a.m. - 6 p.m.

US Treasury official Andrea Risotto says don't wait until you get a foreclosure notice to ask for help.

She says, "If any homeowner feels they are struggling with a financial hardship or there's a financial hardship coming they should reach out to their bank and the sooner they reach out the more likely there's going to be more options available for them."

Still many people are frustrated, hoping for some type of cash bailout.

**But, Eric Selk with the Hope Now Alliance says all of these free programs are in a sense the same thing.**

**"Well people are looking for a check to come to them in the mail, it doesn't work that way. What they do, is we roll it out in terms of programs, free programs that are available to you," says Selk.**

If you want to stay in your home there are tons of programs out there to help.

It's free so you shouldn't be paying thousands of dollars to get your payments lowered.

## **US senator to offer financial regulation bill**

**The Charleston Gazette**

**March 11, 2010**

**By Jim Kuhnhen**

Unable to muster bipartisan agreement on key banking provisions, the chairman of the Senate Banking Committee said Thursday he will offer his own version of a sweeping overhaul of financial regulations without Republican support. "Clearly, we need to move along," Sen. Christopher Dodd said.

A month of talks between Dodd and Republican Sen. Bob Corker had found common ground, but details on key provisions, including consumer protections and other sticking points, remained unsettled.

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

He said he hoped the Senate could act on a bill sometime in the next three months.

Dodd's go-it-alone choice comes in the midst of an emerging culture of high partisanship in Congress, where Democrats and Republicans have been at odds for over a year on health care changes, little progress has been made on climate change and energy legislation, and members of both parties watch warily as an angry voting public continues to show heavy disdain for incumbents in the runup to November congressional elections.

While Dodd praised Corker and insisted his proposed bill would incorporate many Republican ideas, the development raised new questions about Congress's ability to respond to a financial crisis that erupted more than 18 months ago with the collapse of Lehman Brothers.

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

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

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

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

"He made me aware that with reconciliation coming, he felt a need to go ahead and, regardless of where we were in negotiations, to put forth a bill on Monday," Corker said, using the term that describes the process that makes it easier for majorities to succeed. "I understand the pressure that he is under."

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

"The time is shrinking to get this done," he said.

The main obstacle remains a proposed Consumer Financial Protection Agency that the president has made one of the central provisions in the bill. The House version provides for such a stand alone agency, which would regulate institutions that offer credit, mortgages or other consumer financial products.

Though Corker said he and Dodd had an agreement on the main details of a consumer plan, Dodd said it remained an outstanding issue.

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

Dodd had proposed placing such an agency inside the Treasury Department and giving federal bank supervisors some say in the consumer entity's regulations. Corker countered with a proposal to place the agency inside the Federal Reserve. But the two were unable to find common ground on how much independence to give it.

**Treasury data: Borrowers in government prevention plan still face foreclosure**  
**The Washington Post**  
**March 12, 2010**  
**By Renae Merle**

About 90,000 distressed borrowers have lost their mortgage aid under the government's foreclosure prevention plan and many more are at risk of losing the help, according to Treasury data released Friday.

Many of these borrowers did not turn in required documents to prove they qualified for the program, which typically lowers a borrower's mortgage payment by more than \$500 a month. But others never qualified in the first place. Some applicants earned too much under the government's formula, while others made too little and were unlikely to be able to keep up with even the lower payments.

Initially many borrowers received the loan modification after a phone conversation with their lender and then had three months to prove they qualified for the program and to make the initial payments. But the administration loosened those guidelines last year as it became evident that lenders were struggling to collect all of the required documentation from borrowers, including tax returns and pay stubs.

That prompted the Treasury Department to restrict access to the program, known as Making Home Affordable, in the future. Starting June 1, borrowers must prove they qualify for the mortgage help upfront before their payments can be lowered. This is expected to slow enrollment into the program, which the administration has said should help up to 4 million borrowers by 2012.

This is just the latest problem with the \$75 billion government program, which pays lenders to modify borrowers mortgages. Launched a year ago, it got off to a slow start and the administration is facing pressure to expand it to help more unemployed borrowers, or to lower the loan balance of underwater borrowers -- those who owe more than their home is worth. The latter is tougher to address because jobless borrowers often have little money with which to pay any type of home loan.

Changes to the program are likely, but it is unclear how extensive they will be, administration officials have said.

So far, about 1 million borrowers have had their payments lowered under the federal program, according to the government data. But about half of those borrowers, more than 500,000, are at risk of losing their aid. These borrowers,

who have passed the three-month mark, are in limbo while mortgage lenders review their applications to see whether they qualify for the government program or whether they should be considered for other types of mortgage relief.

**"Those are the ones we are going to be watching closely," said Faith Schwartz, executive director of Hope Now, an alliance of mortgage lenders. Some of those borrowers will be put into non-government mortgage relief programs, she said. "I am optimistic you will see transitions to non-HAMP solutions. [But] you can't avoid foreclosures, so you will see those as well," she said.**

Through February, about 168,000 borrowers have received a permanent loan modification and another 90,000 had deals pending.

Bank of America, for example, has completed nearly 21,000 permanent modifications. But it has another 200,000 borrowers in the trial program.

"We are in a position to show strong results in completion of permanent HAMP modifications as we move into spring," Jack Schakett, loss mitigation strategies executive for Bank of America Home Loans, said in a statement. "We have a strong pipeline of modifications in the trial payment period, under review for conversion to permanent status, and out for final signature."

This comes as economists worry that millions of seriously delinquent borrowers have little hope of saving their home, but have not been moved into the foreclosure process. They could pose a threat to stabilization of the housing market if there are not enough buyers emerge to pick up those homes when they are put up for sale, economists have said.

**Dodd: Not Giving Up On Financial Services Reform**  
**The Hartford Courant**  
**March 12, 2010**  
**By Kenneth Gosselin**

When U.S. Sen. Christopher Dodd unveils his new vision for financial services reform Monday, it won't include any major regulatory shake-up for the insurance industry.

"We're not going to deal with insurance in any broad industry way," Dodd said in a telephone interview Thursday following a news conference in Washington announcing a new push next week on financial services reform. "It's more than the bill can take."

Dodd, a Connecticut Democrat and chairman of the Senate banking committee, is moving ahead alone with a revised reform proposal aimed at banks, unable to work out an agreement on key provisions with banking committee Republicans.

Property-casualty insurers have been watching the push for reform unfold for months. Last week, the heads of 11 property-casualty insurers said in a letter to Dodd that they do not belong in the reform.

"We understand the dangers presented when firms become too highly leveraged, too interconnected, or engage in unregulated activity," the letter said. "Yet, throughout this crisis, property and casualty insurers have been an oasis of relative stability, weathering the crisis well without presenting any risk to the broader financial system."

Some property-casualty insurers that have had troubles, including The Hartford, which took a \$3.4 billion bailout, didn't sign the letter. Those companies had problems in their life insurance investment operations, not property insurance.

The reform measures come as Congress and the president work to revamp regulation that missed warning signs of the 2008 Wall Street meltdown.

Dodd said the bill he will outline Monday will be dramatically different from the one he proposed in November, which immediately met with Republican opposition.

Republicans were particularly opposed to creating an independent consumer protection agency, first envisioned by President Barack Obama.

Since then, Dodd has tried to work out a proposal with banking committee Republicans. The latest effort collapsed Wednesday.

Dodd said it is essential to move forward now, especially because 2010 is an election year. Some experts have said passage must come by June, before re-election campaigns get underway in earnest.

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

For Dodd, the stakes also are high. As his final term wraps up, his legacy as a populist reformer would be written with passage of meaningful reforms.

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

Any version passed by the Senate must then be melded with what was adopted by the House in December.

Key differences between Dodd's two proposals will likely reflect compromises, though the final shape of the proposal was still in flux Thursday.

The consumer protection agency will likely be part of the Federal Reserve, rather than an independent agency. But Dodd said in the interview that it was less important where the agency was housed.

He said he would insist that it be headed by a presidential appointee confirmed by the Senate; have separate funding from the Fed; be granted independent rule-writing authority; and have examination powers.

Dodd said he is adamant that the reform will hinge on preventing institutions from taking so big a role in the economy that they must be bailed out if they falter.

"One thing I'm determined to do is to end 'too big to fail'" Dodd said

## **Mortgage foreclosure sales increasingly delayed as federal program offers alternative**

**Finance & Commerce**

**March 12, 2010**

**By Scott Carlson**

When Kathy Maloney suffered a brain aneurysm, the incident set her back not only physically but financially.

Maloney, of St. Cloud, could not work for four months, then returned to work on a limited schedule in early 2009. During that time, she fell behind on her \$1,200-a-month house payments, and asked her mortgage lender, HomeEQ of California, if she could make half payments a month until returning to work full time.

HomeEQ refused — and last May, filed a foreclosure notice against her. For Maloney, the specter of facing a sheriff's auction sale was not only frightening, but insulting.

"I felt disrespected," Maloney said. "I bought the house in 2000 and I had never been late in paying in eight years."

Then, in a sudden reversal, HomeEq notified her in July that it was postponing the foreclosure sale, Maloney said.

These days, Maloney's story is becoming less unusual. Lenders are increasingly postponing sheriff auction sales after first filing an original foreclosure notice against delinquent homeowners.

Advertisement "We are seeing a larger number of [foreclosure] postponements in the last year," said Larry Wilford, an attorney at Wilford & Geske, a St. Paul law firm that includes foreclosures among its key practice areas.

To be sure, there's still plenty of pain for the region's homeowners. Minnesota had about 23,000 foreclosures last year, down from 26,000 in 2008 but still four times the 2005 volume of 6,400, according to the Minnesota Home Ownership Center.

But, while no specific data could be found pinpointing the trend of postponed auction sales, industry insiders cite anecdotal evidence that the process is slowing, in many cases — and say the trend is primarily due to lenders getting delinquent homeowners into loan modification programs — specifically, the Obama administration's Home Affordability Modification Program (HAMP).

At the same time, a new Minnesota law, which took effect last June, allows homeowners who have fallen behind on their mortgage payments to delay the foreclosure sale of their home by five months and get their payments current, according to the Minnesota Home Ownership Center. If the homeowners haven't gotten house payments up to date at the end of the five-month postponement, however, they only get an additional five weeks to redeem or buy back their home, the center noted.

For the lenders, the push to renegotiate mortgages is also fueled by a desire to cut losses that almost inevitably come from foreclosing properties and then reselling them, said Michael Oberle, an attorney at St. Paul-based Peterson Fram & Bergman, which represents several major banks, mortgage lenders and credit unions.

As banks have beefed up staff to handle the surge of foreclosure activity, they also now have the manpower and means to work with homeowners on loan modifications, said Ed Nelson, spokesman for the Minnesota Home Ownership Center, which oversees the state's network of more than 200 nonprofit organizations that provide home counseling services.

“They [the lenders and banks] are better prepared to handle the sheer volume of foreclosures and they are more willing to postpone [foreclosure sales] and work with the homeowners,” Nelson said.

Wells Fargo & Co. is among major mortgage lenders that have grown their workforces to handle the growing national housing crisis. Since the end of 2008, the San Francisco-based financial services giant, which has a major presence in the Twin Cities, has more than doubled its “home-preservation staff” to more than 15,000 U.S.-based employees working on home retention.

Wells Fargo’s growth in home-retention staff has coincided with the start up of the federal HAMP initiative. Under that program, qualifying homeowners – typically those who are suffering some financial hardship – can get their house payments reduced to about 30 percent of their gross monthly income.

**In Minnesota, some 21,000 homeowners – roughly the population of Apple Valley – received loan modifications from July 2007 to September 2009, according to Hope Now, a national alliance of counselors, mortgage companies, investors, and others formed to help distressed property owners.**

Wells Fargo & Co. reported Friday that as of Feb. 28 across the nation, it had 139,065 active trial and completed federal HAMP loan modifications in place.

From October 2009 through February 2010, Wells Fargo said it initiated or completed three mortgage-loan modifications for every one foreclosure sale on owner-occupied properties.

“Our customers, communities and investors all benefit whenever a reasonable alternative to home foreclosure can be found,” Mike Heid, co-president of Wells Fargo Home Mortgage, said in a statement.

Nevertheless, despite the federal incentives, distressed homeowners and their credit counselors said it can be an uphill battle for them to get lenders to put people into the loan-modification programs.

“The biggest factor is establishing contact with the mortgage company,” said Laura Ostlie, a certified credit counselor for Lutheran Social Services in the St. Cloud area.

Nelson added that credit and housing counselors routinely talk to more than a half dozen people at mortgage-lending companies and have to call back several times before they get a client approved for a trial loan modification.

“If the banks could have one person to talk to at all levels, it would ease stress (for homeowners) and simplify the process for our nonprofit counselors, as well,” Nelson said.

### Happy endings

Kevin Blascziek, a 47-year-old over-the-road independent trucker, knows the frustration of trying to straighten out his mortgage problems. Two and a half years ago, the Albany, Minn., man suffered a financial setback when he had to spend \$30,000 to fix his truck.

At the same time, Blascziek’s adjustable-rate mortgage on his home inched up, pushing his house payments from about \$1,500 a month to about \$1,800 a month, he said. Another whammy: Gasoline prices topped more than \$4 a gallon in mid-2008, eating further into his income.

After struggling to keep up with his house payments, Blascziek sent his mortgage company a hardship letter last March, asking the bank if he could cut his house payments down to \$1,000 a month until he could financially “get back on my feet.”

The bank refused; last fall, it sent him a foreclosure notice. Blascziek contacted Ostlie last September in hopes of helping him work out a solution.

Ostlie persuaded the bank to get Blascziek into a trial loan modification under the HAMP program. Blascziek’s new payment, under his trial-modification period, is now \$1,087 a month.

“That is something I can handle,” he said.

In another couple of months, Blascziek hopes his bank will make his mortgage modification permanent. If he does, it will be a happy conclusion to what has been a long, arduous process. Without Ostlie’s help, Blascziek is convinced he would have lost his house to foreclosure.

Meanwhile, Maloney’s story appears to have a happy ending too. After she received a foreclosure notice last May, Maloney contacted Lutheran Social Services, where she had Ostlie work on her behalf.

“Laura was a godsend,” said Maloney, 54.

Last July, HomeEq postponed Maloney's foreclosure sale to work with her and Ostlie on a HAMP loan modification. That news came just as Maloney was on the verge of moving into a duplex.

After successfully completing a three-month trial period, Maloney now has a permanent loan modification, which has her currently at a 2 percent interest rate, and is paying \$633 a month on her home.

Maloney noted that, among other things, she can now focus on her rehab from her brain aneurysm while also keeps working her 35-a-week schedule as a youth counselor at St. Cloud Children's Home. In time, Maloney said she also hopes to get her master's degree in life and marriage therapy at St. Cloud State University; she was only two papers from finishing the program when suffered her aneurysm.

**Dodd's New Plan for Finance Rules Aims to Give More Muscle to Fed**  
**Wall Street Journal**  
**March 15, 2010**  
**By Damian Paletta**

The political battle over rewriting the rules of Wall Street will intensify Monday when Senate Banking Committee Chairman Christopher Dodd is expected to introduce legislation tougher on financial companies than was expected just a few weeks ago.

The shift follows a push from the Obama administration, which sees a political advantage in pushing legislation taking aim at Wall Street. Mr. Dodd's bill would allow the Fed to examine any bank-holding company with more than \$50 billion in assets, and large financial companies that aren't banks could be lassoed into the Fed's supervisory orbit. This came after Treasury officials pushed Mr. Dodd to bring more companies under the Fed's purview.

Any financial company, from small payday lenders to huge megabanks, would have to abide by new rules written by an autonomous Fed division that would be given the job of protecting consumers. This division would also be able to sanction any bank with more than \$10 billion of assets for violations of consumer rules. Other industries could face enforcement if regulators decide to expand the division's powers. This is a departure from a more-constrained setup Republicans thought they had secured in recent talks.

The bill would now give the government more power to crack down on risky practices or certain types of lending.

Sen. Christopher Dodd, on Capitol Hill last week, called efforts to delay a vote on financial rules unrealistic.

In other highlights, under the proposed legislation the government would have power to seize and dismantle failing financial companies; complex financial instruments such as derivatives would face more scrutiny; shareholders would have more say in the way publicly traded companies operate; and the government would have more tools to force banks to reduce their risk.

Mr. Dodd has courted Republican support for months and said Sunday in an interview he still hoped to pass a bill with broad support. But he also appeared emboldened, and called Republican efforts to delay a vote "totally unrealistic and wrong." He suggested Republicans who wanted to make changes to the bill would have to "back up their commitment with the votes."

He dismissed arguments from some in the banking sector that have said more regulations would constrain credit. He called this a "Chicken Little" argument, calling it alarmist and arguing that financial crises are what dry up credit.

**With Mr. Dodd intent on moving quickly, the banking industry will have limited time to try to shape the bill. "The industry will be subject to these new rules for the next 50 years or so, so this is a major moment in the history of the financial-services industry," said Scott Talbott, a senior vice president at the Financial Services Roundtable, a trade group representing large financial companies.**

### Bill's Highlights

Dodd's proposal touches on several areas. Key points:

**Consumers:** A consumer-protection division would be created within the Federal Reserve, with the ability to write new rules governing the way companies offer financial products such as mortgages and credit cards. It would have authority over any bank with more than \$10 billion of assets, and certain nonbank lenders.

**Banks:** The Fed would oversee bank holding companies with more than \$50 billion of assets. Regulators would have the discretion to force banks to reduce their risk or halt certain speculative trading practices.

**Failing companies:** The government would be able to seize and break up large failing financial companies. Big companies would have to pay into a \$50 billion fund to finance the dissolution of a failing firm.

Systemic risk: A new council of regulators would be created to monitor broader risks to the economy. The council could strongly urge individual agencies to take specific actions to curb risk.

Corporate governance: The Securities and Exchange Commission would have authority to write rules giving proxy access to shareholders who own a certain amount of stock. Shareholders would have a nonbinding vote on compensation packages for top executives.

Hedge funds: Large funds would have to register with the government.

The Dodd bill comes nearly 18 months after the height of the financial crisis in 2008. Whether it can quickly gain traction could help determine the fate of the Obama administration's yearlong effort to rein in banks.

"There's no question that Treasury is pushing left, and that's what I would expect at this point," said Sen. Bob Corker (R., Tenn.), who negotiated for weeks with Mr. Dodd on parts of the bill.

The biggest winner in Mr. Dodd's bill appears to be the central bank. It would police previously unregulated sectors of the economy and would have a new division to write consumer-protection policy. The biggest losers appear to be large financial companies, who would face a muscular, centralized regulatory architecture for perhaps the first time in U.S. history.

Democrats opted last week to forge ahead and introduce a bill without Republican support. Central parts of the bill—especially consumer protection and the role of the Fed—could precipitate a clash, making the bill's prospects cloudy. Democrats believe they can rally public support, with many people still angry at the banking industry in the wake of the financial crisis.

"It would be great to find a bipartisan solution, but if we can't, we have to be true to the policy of ending the malpractice on Wall Street," said Sen. Jeff Merkley (D., Ore.), a member of Mr. Dodd's committee.

Mr. Dodd hopes he can begin holding votes in his committee starting next week. The legislation could come to the Senate floor by late April.

The House of Representatives passed its version in December. Any differences would have to be reconciled with a potential Senate version.

Republicans have said they wanted new market rules. They have blamed the White House for forcing Democrats to push ahead before a bipartisan deal could

be struck. The party has not spelled out a strategy for responding to Mr. Dodd's bill, and it's possible Republicans could try to filibuster it, with Democrats one shy of the 60 Senate votes they need to end debate. On Friday, the 10 Republicans on the Senate Banking Committee urged Democrats to slow the process down.

Mr. Dodd's bill is expected to more closely align with the White House's initial proposal, after diverging from it during weeks of negotiations with Republicans. Mr. Dodd, in an earlier proposal, had cut the Fed out of bank supervision. After aggressive lobbying by Treasury Secretary Timothy Geithner and Fed officials, Mr. Dodd agreed to expand the Fed's scope to allow it to monitor any large financial companies.

### **Economic Outlook: March Madness**

**United Press International**

**March 15, 2010**

**By Anthony Hall**

U.S. senators, will have a 1,200-page bone to chew Monday, compliments of what could be Sen. Christopher Dodd's last hurrah in Washington.

Dodd, of Connecticut, retiring chairman of the Senate Banking Committee, said Sunday the financial system overhaul plan he is prepared to present to committee members is "a bit of a high-wire act" in that he and his staff have fashioned a few giveaways for Republicans without any Republicans in the room – although their influence was certainly there.

Dodd negotiated fine points of the bill for weeks with Sen., Richard Shelby, R-Ala., and Bob Corker, R-Tenn., before pushing ahead with his own version of the bill in the interest of time without any Republican commitments. But that does not mean Dodd wasn't listening when negotiating with GOP leaders, and the bill reflects some of their concerns. For example, the bill allows a committee of regulators to overturn new rules issues by the consumer financial protection program, which would be set up inside the Federal Reserve -- a nod to Republicans, The New York Times reported Monday.

The bill also includes a few gambles, most notably the expansion of the Fed not long after the central bank was arguably the most popular scapegoat in town, the regulator that missed all the cues to the recent financial crisis and is cozy with the dastardly banking industry that pays billions of dollars in bonuses for bringing the country to the brink of ruin -- according to populist legend, that is.

What's the strategy? A year and a half after the height of the financial crisis, the plan is to push the bill through quickly, in part to bolt through the Senate without getting too seared by the white heat building over the healthcare debate.

Banking committee Republicans said last week they were "open to finding common ground," but Corker also said pushing a bill this size through the committee in a week required voters to "send robots to the Senate."

The highlights of the bill include items bandied about in Washington for 18 months. The Fed would house a consumer protection agency that would oversee consumer loans, including credit cards and mortgages and loans from payday lenders and big banks. The Fed would be granted power to reign in speculative trading and risks-taking among banks. A council of regulators would be set up to monitor firms so large they pose a risk to the financial system as a whole and the government would have the power to dismantle huge companies regulators agreed were in danger of failing, The Wall Street Journal reported.

But time still remains a critical component of the debate. Dodd said, it was "unrealistic and wrong" to delay votes on the issue.

**For lobbyists, who know delay is the single largest killjoy in Washington, that does not make sense. "The industry will be subject to these new rules for the next 50 years or so, so this is a major moment in the history of the financial-services industry," said Scott Talbott, senior vice president of the Financial Services Roundtable, a powerful lobby group.**

In international markets Monday, the Nikkei 225 in Japan rose nominally, up 0.01 percent and the Shanghai composite index in China lost 1.21 percent. The Hang Seng index in Hong Kong fell 0.62 percent and the S&P/ASX 200 in Australia dropped 0.71 percent.

In midday trading in Europe, the FTSE 100 in Britain lost 0.24 percent while the DAX 30 in Germany slipped 0.19 percent. The CAC 40 in France dropped 0.39 percent and the pan-European DJ Stoxx 50 fell 0.44 percent.

**State attorneys general vie for stronger consumer protection role**  
**The Washington Post**  
**March 15, 2010**  
**By Brady Dennis**

In the fight over how to overhaul the nation's financial regulatory system, one of the key power struggles has pitted the states -- in particular a core group of state

attorneys general -- against federal regulators, financial [lobbyists](#) and some members of Congress.

The dispute boils down to a central question: Should national banks continue to be exempt from state consumer protection laws, or should state officials be allowed to exceed federal standards?

The Obama administration has pushed for the latter, arguing in a blueprint last year that federal rules should "serve as a floor, not a ceiling" and that "states should have the ability to adopt and enforce stricter laws for institutions of all types." [Rep. Barney Frank](#) (D-Mass.) pursued that same policy but had to scale back his efforts to successfully shepherd a bill through the House. [The House bill passed in December](#) would create a consumer financial protection agency and establish oversight of derivatives, among other measures.

In recent weeks, [Sen. Christopher J. Dodd](#) (D-Conn.), chairman of the Senate banking committee, [appeared willing to leave in place](#) federal regulators' ability to preempt nearly all state consumer protection laws for national banks.

"Federal preemption would stay in place just like it is right now," [Sen. Bob Corker](#) (R-Tenn.), who negotiated details of the bill with Dodd for weeks, said Thursday in describing their agreement.

While it remains unclear exactly where Dodd will come down on the issue when he releases an updated version of his bill Monday, the topic looms as a major sticking point, both for consumer advocates and financial industry representatives.

Meanwhile, state officials and federal regulators have continued to battle over turf. For instance, the Office of the Comptroller of the Currency has asserted that it alone has authority to police banks with national charters. While the banking industry pushes for an efficient set of national rules, consumer advocates have savaged federal regulators for their failure to protect consumers, arguing that preemption contributed to the financial crisis by hampering state regulators.

Few people have been more outspoken in their criticism than a handful of attorneys general, including Tom Miller of Iowa, Lisa Madigan of Illinois and Roy Cooper of North Carolina.

"Let's just debunk the myth that federal regulators did anything, because they didn't," Madigan said in an interview. "They've got a dismal track record."

The attorneys general have logged thousands of miles over the past year to lobby lawmakers on the issue, testify before both houses of Congress and appear as "special guests" of [President Obama](#) at a White House speech aimed at bolstering consumer protections. They have made their case in letters, speeches and national

conference calls, and they have become reliable allies of the administration's controversial proposal to create a powerful, independent Consumer Financial Protection Agency.

Their argument is simple: Freeing states to enact tougher laws would yield better protections against many of the predatory practices that contributed to the crisis, such as payday lending and subprime mortgages.

Madigan argues that state regulators were "the only ones ever sounding the alarm" as abuses grew in recent years, only to be overruled in many cases by regulators in Washington. "We need to be able to enforce the law against all lenders," she said. "We don't want to be in a situation where history repeats itself."

Cooper said state officials have recognized abuses sprouting on the local level much more quickly than federal regulators and shouldn't be hamstrung by federal laws that might prove inadequate. "We're on the ground. We see the complaints directly from the consumers," he said. "It's not smart to take 50 cops off the beat when you need stronger enforcement to protect consumers."

Much of the banking industry and some key lawmakers, however, argue that too many cops would cause more harm than good. Too many regulators would confuse consumers and produce a bureaucratic morass for any firm that does business in multiple states. National regulation proponents instead have advocated for a single set of standards.

"The simple economic fact is you can't operate a modern financial system if it's subject to 50 different state laws and potentially thousands of local laws," said Edward Yingling, president of the American Bankers Association.

Yingling and others have argued that if states are allowed to exceed federal rules, it could curb financial innovation and prompt banks to pass along costs of additional regulation to customers.

**"Having one set of strong rules is preferable to having a patchwork of 50 different state regimes," said Scott Talbott, chief lobbyist with the Financial Services Roundtable, which represents some of the country's largest financial firms. "The benefit of strong national standards are they provide consistency, avoid confusion and keep costs down."**

Having gone head to head in the House, both sides are gearing up to wrangle over the issue in the Senate. It will mean a lot more lobbying dollars spent, more speeches and conference calls and letters, and likely more trips to Washington for a fervent group of state attorneys general.

## **Overhaul Rules Stuck On Financial Protection Agency**

**NPR**

**March 12, 2010**

**By John Ydstie**

Senate Democrats and Republicans are trying to work out differences over how to overhaul financial regulations following the financial crisis. One of the big sticking points is the proposed Consumer Financial Protection Agency. Democrats, including President Obama, want a separate and independent agency. Republicans want it to be part of an existing agency but Democrats say that's been tried and didn't work.

RENEE MONTAGNE, host:

This is MORNING EDITION from NPR News. I'm Renee Montagne.

This morning, we're reporting on two efforts to repair the holes left in a tattered economy. In a moment, we'll check in with Elkhart, Indiana, the town where, a little over a year ago, President Obama pitched his economic stimulus program.

But first, to the Senate. Democrats and Republicans have been struggling behind closed doors to agree on a way to rewrite financial regulations. Today, Senate Banking Committee Chairman Chris Dodd says he'll unveil a new plan on Monday, hoping to bridge remaining differences in the full committee. The major sticking point remains: how to do a better job of protecting consumers from products like subprime mortgages.

NPR's John Ydstie reports.

JOHN YDSTIE: President Obama proposed an independent consumer financial protection agency to shield consumers from overly risky and complex financial products. The House embraced the idea, and its overhaul bill passed late last year. But in the Senate, the banking industry is lobbying hard to block the idea. Scott Talbott of the Financial Services Roundtable says putting consumer guardians in an agency separate from existing bank regulators is a mistake.

**Mr. SCOTT TALBOT (The Financial Services Roundtable): If you separate them out, instead of having one regulator with all the information, you have two regulators with half the information. The fate of the institution and the fate of its consumers are inextricably linked, and we think the regulation of the two of those should be, as well.**

YDSTIE: Consumer advocates say that's the way it was before the crisis. Indeed, bank regulators like the Federal Reserve, who were supposed to protect consumers, didn't. While Senate Democrats generally support an independent consumer agency, Republicans generally oppose it. That's forced Democrat Christopher Dodd, chairman of the Senate Banking Committee, to try to broker a compromise behind closed doors that Republicans will agree to. Among the most recent ideas circulating is creating a new consumer bureau inside the Fed.

Mr. DOUGLAS ELLIOTT (Fellow, Brookings Institution): It should be an independent agency. I don't think it's going to be.

YDSTIE: That's Douglas Elliott, a former investment banker, who is now a fellow at the Brookings Institution.

Mr. ELLIOTT: There are bureaucratic reasons why if it ends up as part of a so-called safety and soundness regulator like the Fed, it's likely to get short shrift. That's just how things work.

YDSTIE: But Senator Dodd, and even the White House, seem ready to allow the consumer agency to be at least housed with another regulator. They say it's not the address that matters, it's whether its powers remain intact. Consumer advocate Ed Mierzwinski of the U.S. PIRG, the Public Interest Research Group, says that formula might work.

Mr. ED MIERZWINSKI (Consumer Advocate, PIRG): If the agency has a presidentially nominated and Senate confirmed director with its own budget and it is not subject to the authority of some other agency, we'll look very closely at that option.

YDSTIE: It can be in another agency, but not under it, says Mierzwinski. And he says the consumer guardian would have to have authority over all financial products. But drafts circulating in the Senate suggest it might not have full authority over institutions like payday lenders, who give short-term loans to consumers with effective annual interest rates of 300 percent or more.

Mr. MIERZWINSKI: That's simply unbelievable that payday lenders, rent-to-own stores, debt collectors and others that are part of the system that really is unfair to consumers in a lot of ways, wouldn't be covered by a new agency, even though no federal regulator covers them now.

YDSTIE: Payday lenders have mounted a big campaign in the past few years to protect their business from federal regulation. Both Democrats and Republicans on the Banking Committee have taken tens of thousands of dollars in campaign

contributions from the industry. But Mierzwinski thinks ultimately the payday lenders will be disappointed.

Mr. MIERZWINSKI: I'm looking forward to a floor vote on whether the payday lenders get a get-out-of-jail free card in the United States Senate. In the back rooms of the United States Senate, they've obviously got an ability to influence senators that they shouldn't be regulated.

YDSTIE: But in a public vote on the Senate floor that should come eventually, Mierzwinski thinks senators will side with consumers.

John Ydstie, NPR News, Washington.

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

**Cruz: Automatic saving is a painless way to build emergency and retirement funds**

**Herald Tribune**

**March 13, 2010**

**By Humberto Cruz**

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

That's the message from more than 100 not-for-profit, government and business groups that participated in the recently concluded fourth annual America Saves Week campaign.

With a fresh commitment from a major banking and financial services group, this year's events emphasized the need and effectiveness of automatic savings, particularly for lower- and middle-income Americans.

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

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

Millions of Americans, still reeling from what has been dubbed the "Great Recession," would have to say no. According to a survey of more than 1,000 adults conducted by Opinion Research Corporation for America Saves in

February, the percentage of Americans with a spending plan that allows savings declined from 49 percent in 2008 to 46 percent this year.

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

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

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

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

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

Given those numbers, "setting up an automatic savings account for emergency funds, retirement and other major life milestones has never been more important," said Nancy Register, associate director of the consumer federation and America Saves director.

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

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

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

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

### **Q&A: Warner, Corker On Financial Reform**

**Key Senate negotiators hope new finance rules will stave off another economic meltdown.**

**National Journal**

**March 13, 2010**

**By Ronald Brownstein**

First-term Sens. Mark Warner, D-Va., and Bob Corker, R-Tenn., have been at the center of the extended bipartisan negotiations in their chamber to restructure the regulation of financial institutions. As Senate Banking, Housing, and Urban Affairs Committee Chairman Christopher Dodd, D-Conn., moved closer to releasing a final bill, Warner and Corker joined Atlantic Media Political Director Ronald Brownstein and CongressDaily financial reporter Bill Swindell at a "National Journal Live" panel on March 10 to discuss the emerging legislation, particularly their attempt to construct a new system for handling the failure of systemically risky institutions.

Dodd stunned Washington the next morning by announcing that he would move to markup without a final agreement with Corker. At a subsequent press conference, Corker said they had been "on the 5-yard line" of reaching a deal but that Dodd was under pressure to push ahead quickly on the bill.

**Also joining the NJ panel to discuss the legislation's prospects were Consumer Federation of America Legislative Director Travis Plunkett; Independent Community Bankers of America President Camden Fine; Credit Union National Association President Daniel Mica; and Jill Hershey, vice president for government affairs at the Financial Services Roundtable. Edited excerpts follow.**

NJ: When can we expect a financial regulatory reform bill to emerge in the Senate?

Corker: The goal is to get something out pretty soon, so that during this time before the Easter recess we have the ability to probably move something out of the Banking Committee -- if everybody would just kind of chill. What I mean by that is, there are a lot of things being said that just are not accurate, and it's actually complicating things to some degree because we're busy trying to respond to things that aren't even in [the bill]. We're trying to achieve a balance, and I think that at this point, we've done a really good job.

NJ: But we are 18 months after the collapse of Lehman Brothers, and we are still pretty far away from final congressional action on regulatory reform. Why has it been so difficult to move this forward?

Warner: I think you've seen this in the debate, as ideas get floated, the first impression is, "Hey, that makes sense!" But if you're going to be more responsible, you've got to dig in, and you realize that the unforeseen consequences of almost any action in this space could have huge implications. And I think it's actually good this time that we didn't rush to judgment in the immediate aftermath of the crisis.

We started with the premise in our section that "systemic risk," "too big to fail," "resolution authority," we wanted those terms to be washed out of the American political vocabulary. We wanted to make sure that we made bankruptcy the preferred process, and that while we needed to reserve the possibility [of resolution for failing firms], we want to make the price of resolution so high that no rational manager would ever prefer that. I do think that 18 months later, you're going to have a much better product.

NJ: Both of you have had a lot of people come into your offices and say, "We didn't cause this, we shouldn't probably bear the brunt of what you're trying to do system-wide." Can you really do carve-outs on this?

Corker: First of all, thank goodness, we've waited 18 months to do this. I would agree with Senator Warner that we've ended up in a much better place waiting, understanding some of the facts that put us in this situation. People keep talking about carve-outs. I am unaware of any carve-out. There's no carve-out for payday lenders, there are no carve-outs for anyone. The rule ought to be [that regulation] is based upon what the product is and not the source or the originator. The goal is to ensure that the rules that are established apply to everybody involved in financial activity.

NJ: Let's turn back to the issue of a special federal resolution process for failing firms. Some consumer groups argue that resolution is preferable to bankruptcy.

Warner: What you've got to do for both the market and the industry is create predictability. And predictability should be based on a bankruptcy process that allows even the largest of the institutions to have an orderly [dissolution]. I think resolution should be the last resort -- only used rarely, if ever. Are we creating any kind of preference for public bailouts? That's not where we're heading.

Corker: Mark and I were absolutely intent that if, in fact, a resolution mechanism had to be put in place because of systemic risk, that that was far, far, far more painful than bankruptcy. What we've tried to put in place is something that is the opposite of what people may describe as "bailout nation."

Warner: We're going to make sure that the financial industry is not going to want resolution taking place.

Corker: In other words, they're going to be encouraging government leaders that a bailout not take place. If you look back at what's happened in history, we want the private sector also saying, "Please don't bail these guys out."

NJ: Is that related to how any federal interventions will be financed?

Corker: People should realize that if there's another meltdown, a systemic meltdown like we saw, I'm sorry, but Treasury is going to have to come back to Congress. I don't think the people expect us to give up the ability to weigh in on something like this. If an institution, or two, or three fail, you're going to have to go back to us.

Warner: If we do our job, what Bob and I are trying to do, we're going to put enough speed bumps on these large institutions, not a whole new level of prudential supervision, but requirements in terms of added capital, convertible debt, a funeral plan -- not some arbitrary market cap restriction, but hurdles that you have to pass if you get too risky. We're going to have so many trip wires and other things that, God willing, we're not going to get to [another meltdown].

NJ: The idea of an independent consumer protection agency is obviously a top priority for many Democrats. What are the merits and demerits of having that be an independent agency, and could it be acceptable to house it at the Fed?

Corker: I think that what people should look at, both for financial regulation and consumer regulation, is not where it's housed but the responsibilities that it undertakes. The issue of potentially a consumer agency being in the Fed, I can understand, really, on the left the issues with that, and their view that the Fed did a terrible job with consumer [protection]. And, by the way, the Fed did a terrible job on consumer [protection], I agree. But wait until you look at this carefully. On the

Republican side, we do not want consumer activity to trump the safety and soundness of our financial system. Trying to keep that balance is where we've been.

Warner: I definitely want enhanced consumer protection. I also share the view, though, that if I'm a community bank, I want to have one set of regulators coming in with a common set of directions, that doesn't give me one set of directions on Monday and another set of directions on Wednesday. If there's ever been a time when the perfect could be the enemy of the good, this is it. This is about to be a huge win for consumers. It would be an enormous mistake to [focus] on looking where the box is [placed] on consumer protection, just like the public option mushroomed into something that was way bigger than transforming our health care system. I'm not sure the Fed is the right place, but I do think there is a solution set here that we can thread.

NJ: What do you think is going to be your most difficult issue to resolve, ultimately, to get this out of the Senate?

Corker: The toughest piece, I think, is that this is viewed as a vehicle that may pass. What I'm dealing with about 16 hours a day are issues that have nothing to do with financial regulation that people are trying to attach to the bill.

Warner: Everybody who's waited 20 years for this to happen, who have staked out positions, you may not be 100 percent happy. But this is going to be a reasonable, good piece of legislation. It's going to enhance consumer protection. It's going to make clearer rules. It's going to allow the market to continue to function and give that predictability that's needed.

Plunkett: The consumer regulator is proving to be one of the biggest sticking points, along with derivative regulation.

Mica: I think they can work the issues out. I think the politics of the day will be the most significant block, the partisanship.

NJ: Do you mean whether Republicans are willing to let Democrats have an accomplishment by passing a bill of this magnitude?

Mica: Exactly.

Fine: I agree partially with Dan. I also think that the calendar in the Senate is a big problem, and I think that when it goes to conference with the House, I don't think the House this time rolls over. I think they're going to put up a fight, and I think

that's going to drag out this process. If they don't have a bill by August, they don't have a bill.

**Hershey: I think it is kind of gaining hard-earned consensus among the Banking Committee members, and then it's kind of watching the floor process in the Senate, because I think there will be a lot of ancillary amendments, and that will be a hard process.**

## **How Eliminating Overdraft Fees Could Cost You**

**NPR**

**March 14, 2010**

**By Tamara Keith**

Annoying overdraft fees on insignificant purchases may be on their way out. Starting this summer, banks will have to get their customers to "opt in" if they want overdraft protection on debit card transactions. But the new rules won't necessarily ease your cash flow; banks are finding other ways to make the money back.

After all, \$20 billion is a lot of money to leave on the table. That's how much banks made last year on overdraft fees on debit card purchases and ATM withdrawals, so banks are hard at work finding ways to get their customers to opt in.

**"Customers will have a lot more choices," says Scott Talbot of the Financial Services Roundtable, which represents the nation's largest financial firms.**

**"We see one company saying, 'We simply won't charge overdraft fees;' another company saying, 'We won't charge for the first three overdrafts;' another company saying, 'We won't charge if your account is overdrawn by \$10 or less.'"**

Just this past week, Bank of America jumped out ahead of the new regulations, saying it will eliminate overdrafts on debit purchases altogether. If a customer doesn't have enough money in their account, the charge will simply be declined.

As it stands now, 57 percent of people say they plan to opt out. That's according to a survey conducted by Acton Marketing. Acton's Gary Gabelhouse says the company is helping banks develop strategies for getting their customers to opt in.

Gabelhouse says there are some customers out there who really like overdraft protection — who want to be able to buy a sandwich even though they have no money in the bank and are willing to pay a \$30 fee to avoid the embarrassment of

being turned down at the check stand. Greg McBride with Bankrate.com, says most overdraft fees are paid by relatively few people.

"It is a mistake that anybody could make, but the key is to only make it once if you're going to make it, and the fact was that 14 percent of customers were generating 93 percent of the overdraft revenue," he says.

Indirectly, those frequent overdrafters probably helped pay for the rest of us to enjoy things like free checking. Going forward, McBride says, that free checking is going to be harder to come by.

"There are always going to be unintended consequences. If you're one of those 75 percent of people who never overdraws your account, the fact that this may curtail the availability of free checking could prove to be an inconvenience to you," he says.

McBride says banks will always find new ways to make money — they are businesses, after all. Talbot prefers to put it a little differently.

"It's not so much a 1-to-1 connection between 'Oh we've lost revenue here, we need to make it up someplace else,'" he says. "Rather, banks will seek to find that mix of products and services their customers need, and of course there could be fees associated with that."

It's an open question whether a year from now consumers will be saying 'Thank goodness we got rid of those onerous overdraft fees' — or whether we'll fondly reflect on the good old days when there were fewer fees and easier access to free checking.

## **Battle Over Financial Reform Heats Up on Capitol Hill**

**CNBC**

**March 14, 2010**

**By Albert Bozzo**

With Senate Banking Committee Chairman Chris Dodd ready to introduce a revised package of reforms for the financial sector Monday followed by markup the following week, GOP committee members fired off a letter to the Connecticut Democrat balking at the time table.

The GOP is concerned that the "proposed timetable will not allow members sufficient time to fully understand the details of [the] legislative proposal," according to a copy of the letter obtained by CNBC.com.

The letter, dated March 12 and signed by all ten GOP members of the committee, "adds that a "markup scheduled in haste would certainly prevent us from achieving" the goal of passing bipartisan legislation."

Dodd last week essentially sidelined bipartisan talks, saying there was "not a lot of time left" to move a complicated piece of legislation through Congress during an election year and "it was "time to move on." Sources, however, say those continued—in fact, right through the weekend.

The committee chairman had been negotiating with Republican panel member Bob Corker on a bipartisan bill for more than a month.

The offices of Dodd and Corker were unavailable for comment on the matter of the letter.

The GOP letter is the latest move in what seems to be a game of political chess since talks ended last week.

During a Thursday news conference, Dodd maintained that his decision was "not a reflection of something breaking down," and that it had already yielded "broad, bipartisan agreement."

That comment, however did not appear to entirely jibe with a news release earlier in the day, wherein Dodd appeared to signal that key differences over a couple of measures had prompted him to move ahead with his own bill.

In addition, Corker had already scheduled a news conference before Dodd's press release was even made public; what's more, some of Corker's comments appeared to contradict Dodd's.

Corker called Dodd's decision "very disappointing", adding the two sides seemed on the verge of an agreement over the most divisive of issues — the shape and power of a consumer watchdog for financial products.

"We were there," Corker said, describing any remaining differences as "miniscule."

Dodd, however, maintained, "we're not there yet."

Corker raised additional question about the process by saying, "there's no question the White House, politics and health care have kept us from getting to the goal line."

That may be, but Dodd has yet to acknowledge that publicly. He repeatedly said time was running out and he had previously warned that he was prepared to go it alone on legislation if necessary.

The time element along with a variety of political factors seem to be at work.

Congressional sources say pressure was indeed growing on Dodd to act.

"The president was starting to push him a little bit," said one senior Congressional staffer.

Though it's not known if President Obama met with Dodd personally recently, as he did in January, Dodd did have a meeting with Treasury Secretary Timothy Geithner Tuesday, the day before talks ended.

The President has been an ardent proponent of a powerful, independent consumer watchdog from the start of the legislative process last spring and with the recent stumble of health-care reform legislation he has spent more time pushing for financial reform.

There is also concern among Democrats that the GOP's willingness to engage in extensive, rolling negotiations might in fact be a stalling tactic.

"Are you here to talk or run out the clock," said the source. "It was just going to continue to be talk and talk."

Finally, there is concern that Dodd had drifted too far from key party positions on some issues in trying to find common ground.

"Dodd should be moving a strong bill with a well-orchestrated campaign and message behind it, calling the Republican bluff," said another source, a senior Senate aide. "My understanding is that Dodd is moving forward with a bill that includes concessions. I thought you made concessions to gain someone's support. After four months of negotiations, Dodd has made concessions to get Republicans to consider it. I truly don't get it."

Sources say Dodd is also keenly aware that House Financial Services Committee Chairman Barney Frank, who shepherded a version of the reform bill through his chamber, is insisting on a thorough reconciliation process with an open-hearing, conference-committee format to blend the Senate and House versions of the bill. That had not happened since 2003.

Corker acknowledged that factor in his news conference. "The elephant in the room is reconciliation and trying to get a bill out of committee," he said.

Less than two weeks ago, Senate Minority Leader Mitch McConnell met with Corker and other GOP banking panel members, according to one source. The meeting, the source said, was meant to get the GOP senators on the same page.

With the letter to Dodd, they certainly appear to be now.

"It shows all the Republicans are together," said one analyst.

The letter also says that Dodd's bill "will contain several provisions which will address issues that have never been subject to the Committees review or examination."

That is entirely possible in a bill this large and complicated—the House version was 1400-plus pages—but hardly unusual. Furthermore, Dodd said his draft would reflect much of what had been discussed and negotiated with Corker.

In terms of specifics, Dodd has only said the bill would have four major parts: End the concept of too-big-to-fail financial institutions; address systemic risk by creating an early warning system; deal with over-the-counter derivatives; and, make a provision consumer protection, "including the possibility of a strong agency."

The last two issues have certainly been the most divisive.

Democrats want a powerful, independent agency with a presidential appointee, as well as rule-making, administrative and enforcement authority.

The GOP wants an agency with far less authority, saying its goals and actions could clash with other regulators and potentially threaten the safety and soundness of the financial system.

Derivatives supervision, which the Obama administration considers critical to reducing systemic risk, has been bogged down in talk about an exemption for so-called end users, private firms who use the products as a hedge, rather than the need to create a central clearinghouse for the market.

For all of his negotiating with Republicans, it is still unclear how much support Dodd has from Senate Democrats. His original draft bill in November met opposition from both sides of the political aisle.

Sen. Jack Reed of Rhode Island, for instance, has said he plans to introduce an amendment calling for an independent agency with a presidential appointee as director.

More than a few other senators support that.

Senators Jeff Merkley of Oregon, Sherrod Brown of Ohio, Ted Kaufman of Delaware and Maria Cantwell of Washington have all expressed serious reservations about parts of what's expected to be in the forthcoming bill.

"Some members of the Senate are saying, 'We want a bill with some teeth in it.'" said the source.

For example, in a recent floor speech, Kaufman said: "After a crisis of this magnitude, it amazes me that some of our reform proposals effectively maintain the status quo in so many critical areas, whether it is allowing multi-trillion-dollar financial conglomerates that house traditional banking and speculative activities to continue to exist and pose threats to our financial system, permitting banks to continue to determine their own capital standards, or allowing a significant portion of the derivatives market to remain opaque and lightly regulated."

The heated debate in Congress have been matched by lobbying from both consumer and business groups.

**"The bill must balance the goals of strengthening the regulatory framework and protect consumers, without stifling the competitive marketplace," said Scott Talbott, SVP of government affairs for the Financial Services Roundtable, a top industry trade group.**

A fight at the Senate level followed by another one over a conference bill with the House could take months and keep financial-reform legislation up in the air around the time of the midterm elections.

That and the battle over health care may be more than anyone can handle.

On the other hand, Dodd, who is not running for re-election this fall, is said to be looking to create a legacy legislation.

**Credit card rules leave users vexed**  
**Cape Cod Times**  
**March 15, 2010**  
**By Sarah Shemkus**

Ten months ago, President Obama signed into law a package of measures – known as the Credit CARD Act – intended to give consumers more information about and control over their relationships with credit card companies. And last month, most of the legislation's key elements went into effect.

The Cape Cod Times conducted an unscientific online survey to get a sense of how readers use their credit cards and what they do and do not know about the new laws, officially titled the Credit Card Accountability, Responsibility and Disclosure Act.

And for many cardholders, it seems questions and concerns still abound: Will the new rules get fees under control? Put a cap on interest rates? Make it easier to pay down debt?

So we examined the new law and consulted with financial experts to determine what the regulations do, what they don't do, and what kinds of unintended consequences consumers might experience.

The survey, conducted over four days via the Cape Cod Times Web site, garnered 142 responses. One of the most common concerns among respondents was credit card interest rates: how high they go, how they are applied and how little notice cardholders often receive about changing terms.

Many people noted that their credit card rates had increased sharply in December or January, right before the new rules took effect. These rate hikes happened as card companies tried to make up for financial losses they fear the new regulations will cause, said Pam Krueger, a Dennis native and the host of the public television financial advice show “MoneyTrack.”

“Right before Feb. 22, letters went out to slide in their interest rate increases,” she said.

And the new law does not place any cap on credit card interest rates. Now that the new regulations are in effect, however, card issuers will have more limitations on their interest rate activities.

#### Interest rates

Interest rates cannot be increased within the first year a new account exists, except for previously disclosed promotional rates, which must last at least six months.

There are, however, exceptions to these rules: Interest rates can still be raised on variable-rate cards and when a consumer is more than 60 days late making a payment.

“The rules are going to be applicable to people who have fixed-rate cards, who pay on time,” Krueger said. “You can't be late – you will then be excluded from those provisions that are supposed to protect you.”

The new law also forbids card companies from raising a cardholder's interest rate because of an event on an unrelated account; a late payment on a student loan, for example, can no longer trigger a jump in a credit card interest rate.

Any change in terms – including interest rates – must now be communicated to cardholders at least 45 days ahead of the date it takes effect. And these notifications must also inform the consumer of his right to cancel or close his account.

Furthermore, an increase in interest rates can no longer be applied to existing balances.

“Credit cards used to be able to charge you higher interest and jack up your rate on old balances,” Krueger explained. “Now they can only give you increases on new, future purchases.”

**And, as of Aug.22, card companies will also be required to regularly review accounts on which interest rates have been raised and assess if rates should be reduced. “It's really a two-step process,” said Scott Talbot, senior vice president of government affairs for the Financial Services Roundtable in Washington, D.C. “One, why were rates increased? Then, two, do those factors still apply?”**

Fees and penalties

The fees charged by credit card issuers were another sore spot with survey respondents, many of whom wondered what kinds of restrictions the new laws put in place.

And when it comes to fees and penalties, there is both good news and bad news in the Credit CARD Act.

Card issuers may no longer charge fees to users for making payments using one method over another (unless the customer requests an expedited payment); gone are extra charges for paying over the phone or online.

And cardholders will no longer be allowed to go over their credit limit, only to be charged a penalty fee. Unless they opt into such fees, customers will now have transactions rejected if they would go over the account's limit.

The bad news, however, is that many kinds of fees are still allowed, and card companies are likely to use them to eke out more revenue, Krueger said.

“Annual fees will go up, late fees can still go up,” she said.

And more companies will start charging inactivity fees ranging from \$36 to \$40 on unused cards, she predicted.

These fees, however, can still be avoided by being careful with your credit, said Nancy Davison, vice president of operations at the Housing Assistance Corp. in Hyannis, where the new rules are being incorporated into financial literacy workshops.

“I guess the message is, play by the good credit rules and you probably will be OK,” she said.

It's about time

More than three-quarters of survey respondents reported that they had received credit card statements very close to the payment due date. Nearly two-thirds had experienced an unexpected change in payment due date.

Provisions in the new law are designed to curtail just such activity.

Card companies are now required to send out statements at least 21 days ahead of the due date and to keep the due date consistent each month.

Every statement must also now include a calculation of how long it would take to pay off the current balance if only minimum payments were made.

“They now have to do the math for you and show you in elementary terms how long it's going to take you to pay off that dinner at the Roadhouse,” Krueger said.

The statement must also show how much must be paid every month to pay off the current balance within 36 months.

**“It really shows you how much interest you are paying and what the total cost of your purchase is,” Talbot said.**

Despite the positive elements of the new laws, Krueger said, it is very important for cardholders to remain vigilant. There are still plenty of ways card issuers can squeeze money out of their customers, she said, though the new law makes sure consumers have the information they need about these approaches.

“You've got to be on your game, more than ever,” she said. “Now that they have to tell you more, it's your responsibility to react to that in advance by planning for it.”

Navigating the new rules

Advice from Pam Krueger, host of public television financial advice show “MoneyTrack”:

- Know your cards: Make sure to read and understand all the rates, fees and terms on all of your credit cards
- Close some cards: Consider canceling those accounts with the least favorable terms or those you don't use very often
- Pay on time: Some of the new interest rate protections cease to apply to cardholders who are more than 60 days late with a payment
- Stick with fixed: Try to have fixed- rather than variable-rate cards; the new interest rate rules do not apply to variable-rate accounts

**Centene Corporation Announces Board Member Not Standing for Re-Election**  
**Wall Street Journal Market Watch**  
**March 15, 2010**

**Centene Corporation today announced that Steve Bartlett has decided not to stand for re-election to the company's Board of Directors in order to devote more time to his other business and personal interests. Mr. Bartlett, the President and Chief Executive Officer of The Financial Services Roundtable in Washington, D.C., has served as a director since May 2004. Mr. Bartlett will continue to serve as a director until Centene's next Annual Meeting of Stockholders, which is scheduled to be held on April 27, 2010.**

"I want to personally thank Steve for his dedicated service and leadership," said Michael F. Neidorff, Centene's Chairman and Chief Executive Officer. "We greatly appreciate the contributions he has made to Centene as a director, and we hope to work with him again in the future."

## About Centene Corporation

Centene Corporation is a leading multi-line healthcare enterprise that provides programs and related services to the rising number of under-insured and uninsured individuals. Many receive benefits provided under Medicaid, including the State Children's Health Insurance Program (CHIP), as well as Aged, Blind or Disabled (ABD), Foster Care and long-term care, in addition to other state-sponsored programs, and Medicare (Special Needs Plans). Centene's CeltiCare subsidiary offers states unique, "exchange-based" and other cost-effective coverage solutions for low-income populations. The Company operates local health plans and offers a range of health insurance solutions. It also contracts with other healthcare and commercial organizations to provide specialty services including behavioral health, life and health management, managed vision, telehealth services, and pharmacy benefits management. More information regarding Centene is available at [www.centene.com](http://www.centene.com)

### **Dodd proposes overhaul of U.S. financial regulation**

**March 15, 2010**

**By James Langton**

**Investment Executive**

Chairman of the U.S. Senate Banking Committee, Chris Dodd, released his regulatory reform proposal on Monday, calling for broad changes to financial industry regulation in the U.S.

The proposed reforms would create a new consumer watchdog housed at the U.S. Federal Reserve Board, consolidating the consumer protection responsibilities of numerous regulatory agencies; raise capital requirements and leverage limits on banks, and introduce a new resolution authority to limit moral hazard; establish a council of regulators to watch for systemic risks; require non-binding votes on executive compensation; introduce new rules for credit rating agencies; adopt the so-called Volcker Rule to separate banks from proprietary trading, hedge funds and private equity funds; and, require more transparency in the derivatives market, the securitization market, and from hedge funds.

It also imagines reforms at the U.S. Securities and Exchange Commission, including the move to a self-funded SEC; encouraging whistleblowers by offering rewards of up to 30% of funds recovered; and, studying whether brokers who give investment advice should be held to the same fiduciary standard as investment advisors.

The prospects for the actual passage of reform remains somewhat uncertain due to

the fact that Dodd announced last week that he had given up on crafting a bipartisan bill with his committee's Republican members, and the fact that powerful industry lobbyists oppose some of its measures.

**“Chairman Dodd has unveiled a bill which we believe hits the right notes on some aspects, like too-big-to-fail and streamlining of bank regulation,” said, Steve Bartlett, president and CEO for the Financial Services Roundtable, an industry lobby group. “The Roundtable believes that consumer protection should not be separated out from the regulators which govern the products. We are concerned with the autonomous authority given to such an entity.”**

**“We continue to urge lawmakers to reach a bipartisan bill to modernizing our regulatory framework and protect consumers,” he added.**

Wall Street lobby group, the Securities Industry and Financial Markets Association, also noted that it has reservations about the proposals, but expressed support for reform. “We hope today's announcement by Senator Dodd brings us another step closer to enacting the reforms that are vital to strengthening our financial system, this year. We remain committed to supporting responsible reform,” said SIFMA president and CEO, Tim Ryan.

“The industry has been, and continues to, support reforms that protect against systemic risk, end the notion of ‘too big to fail,’ and never again put American taxpayers on the hook. While we may disagree on certain specific policy details, we should not let it distract us from the overall goal of reforming the system. We look forward to working with the Senate as this legislative process continues,” he added.

## **Financial Groups Mobilize Against Bill**

**By Anna Palmer**

**Roll Call**

**March 15, 2010**

Just hours after Senate Banking, Housing and Urban Affairs Chairman Chris Dodd (D-Conn.) unveiled his financial services regulatory reform bill, business groups moved to oppose specific provisions in the legislation.

The National Association of Federal Credit Unions came out strongly against a provision on the proposed consumer protection agency that would include smaller depository institutions. NAFCU's executive vice president of government affairs, Dan Berger, said the group will lobby for a change at the markup to raise the consumer protection agency's examination and enforcement level to exclude institutions with \$50 billion or less in assets. Dodd's proposal calls for the

consumer agency to have oversight of financial institutions with more than \$10 billion in assets.

“Lumping credit unions in with payday lenders and other bad actors is not the best approach, especially when the two largest credit unions serve our brave men and women in uniform,” Berger said, referencing the Navy and Pentagon federal credit unions.

**The Financial Services Roundtable continued its push against separating consumer oversight from the institutions that regulate them, such as the Treasury Department.**

**“The Roundtable believes that consumer protection should not be separated out from the regulators which govern the products,” FSR President and CEO Steve Bartlett said in a statement.**

**Bartlett, however, applauded Dodd on his efforts to streamline banking regulations and for proposals to keep banks from becoming too big to fail.**

The insurance industry opposes a provision that would require the property-casualty industry to pay into a bailout fund for financial institutions on the brink of collapse.

“Legislation that proposes to prevent future crises by forcing property-casualty insurers to pay into a prefunded resolution mechanism or arbitrarily including insurers in a systemic risk regulatory regime penalizes stability, leading those same consumers and investors to unfairly conclude that the property-casualty sector is unstable and unreliable,” American Insurance Association CEO Leigh Ann Pusey said in a statement.

The opposition comes as Dodd is pushing to mark up the regulatory reform bill in the Banking panel next week.

**Dodd Finance Reform Plan Finally Hits  
Kent Hoover  
March 15, 2010  
Portfolio.com**

Senator Chris Dodd unveiled his financial regulatory reform legislation today, saying the final product reflects months of bipartisan talks between Republicans and Democrats.

The Senate Banking Committee, which the Connecticut Democrat chairs, will begin marking up the legislation next week, Dodd said.

The bill would create a new independent office, housed inside the Federal Reserve, to write and enforce consumer protection rules for financial products. It also would establish a new council of financial regulators that would identify, monitor, and address risks that large firms—including nonbanks such as American International Group—pose to the entire financial system.

In addition, the bill would direct regulators to implement rules that prohibit banks from engaging in proprietary trading or investing in hedge funds and private equity firms. Bank regulation would be streamlined, but the state banking system that governs many community banks would be retained.

Shareholders would be provided a nonbinding vote on executive compensation and the right to nominate directors.

Republicans had urged Dodd to delay the markup so they could continue negotiating a bill, but Dodd said time was running out to get the legislation passed this year. That's needed, he said, to make sure regulators have the tools they need to deal with future financial crises.

"We will have financial reform adopted this year in the Congress of the United States," he said.

There is broad consensus on much of the bill, Dodd said. The biggest fights are over consumer protection and shareholder rights.

The House's bill, which passed in December, created a new independent Consumer Financial Protection Agency. Banks and business groups strongly oppose that, contending it would create an unneeded additional layer of regulation and could impose burdens on nonfinancial companies as well.

Dodd's bill also calls for a new consumer protection regulator, but it would be housed at the Federal Reserve instead of as a separate agency. The Fed, however, wouldn't have "one iota of authority" over the consumer protection office's budget or operations, Dodd said.

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

Other regulators would be consulted when banks are examined in order to prevent an undue regulator burden, according to Dodd. Regulators also could appeal the consumer bureau's regulations to the systemic risk council if they believe the rules would jeopardize the safety and soundness of the banking system.

Dodd's approach to consumer protection didn't satisfy the American Bankers Association because it continues to separate consumer regulations from safety and soundness regulations. **The Financial Services Roundtable also contends Dodd gave too much autonomy to the new consumer office.**

**"Consumer protection should not be separated out from the regulators which govern the products," said Steve Bartlett, the roundtable's president and CEO.**

**Both groups urged Dodd to continue working with Republicans on crafting a bipartisan approach to financial regulatory reform.**

"We do not believe that workable regulatory reform can be enacted without a bipartisan approach," Yingling said.

**The American Irish Historical Society Names BNY Mellon Chairman and CEO Robert P. Kelly 2010 Gold Medal Honoree  
March 15, 2010  
PRNewswire**

The American Irish Historical Society (AIHS) today named BNY Mellon Chairman and CEO Robert P. Kelly its 2010 Gold Medal recipient.

The Society's highest honor, the Gold Medal, is awarded to individuals who make an especially meritorious contribution to Irish American life. The 2010 Gold Medal will be presented to Mr. Kelly during the organization's 113th Annual Dinner on Thursday, November 4, at the Waldorf Astoria hotel in New York City.

Previous AIHS Gold Medal honorees include: Presidents Theodore Roosevelt and Ronald Reagan; Senator Daniel Patrick Moynihan; Cardinal John O'Connor of New York; musician Bono; actor Liam Neeson; Loretta Brennan Glucksman, Chairman of the American Ireland Fund; Author Mary Higgins Clark; Sir Anthony O'Reilly, former Chairman of H. J. Heinz Company; Donald Keough, former President and CEO of The Coca-Cola Company and Chairman Emeritus of Notre Dame's Board of Trustees; and Declan Kelly, economic envoy to Northern Ireland and former Chairman and CEO of Financial Dynamics.

Mr. Kelly leads BNY Mellon, the world's largest asset management and securities servicing company, with 43,000 employees in 34 countries. BNY Mellon has \$22.3 trillion in assets under custody and administration, \$1.1 trillion in assets under management, services \$12 trillion in outstanding debt and processes global payments averaging \$1.6 trillion per day. The firm provides an array of financial services for institutions, corporations and high-net-worth individuals, providing superior asset management and wealth management, asset servicing, issuer services, clearing services and treasury services through a worldwide client-focused team.

"Bob has an outstanding reputation for successfully leading one of the most vital financial institutions in the world," said Kevin M. Cahill, M.D., President-General of the American Irish Historical Society. "Lesser known is Bob's dedication to improving the communities in which his employees live and work."

In the two years since BNY Mellon established its global Community Partnership Program for year-round employee team volunteering and fundraising, its employees volunteered 45,000-plus hours through 1,110 employee teams, helping some 3,000 nonprofit organizations. All together, employee pledges and fundraising, and corporate contributions have exceeded \$26 million dollars through these efforts.

"I'm honored to accept this award and thrilled to be considered in the company of the previous Gold Medal winners," said Mr. Kelly. "Their collective accomplishments are a source of tremendous inspiration and set a high bar for us all to aspire to."

Respected and admired by his peers, Mr. Kelly serves as chairman of **the Financial Services Roundtable**, treasurer of the Financial Services Forum and is a Federal Advisory Committee Member of the Federal Reserve Board. Mr. Kelly is involved in numerous philanthropic and educational organizations. He is a board member of St. Patrick's Cathedral in New York City and a Carnegie Mellon University trustee. Mr. Kelly's middle name, Patrick, honors both his Irish ancestry and his March 17 birthday, also known as St. Patrick's Day. His great, great grandfather, Edward, who was born to William Kelly and Ann Connell in 1817 in Waterford County, Ireland, eventually emigrated to Nova Scotia.

The 2010 Gold Medal dinner committee has been formed under the leadership of Brian A. Ruane, EVP of BNY Mellon. To purchase a table or individual tickets for the Society's Annual Dinner, please contact Christopher Cahill, Lindsay Wengler, or Meaghan Doherty at 212.288.2263 or by emailing [aihs@aihs.org](mailto:aihs@aihs.org).

About the American Irish Historical Society

Founded in 1897, the AIHS is an international center of scholarship, education and cultural enrichment dedicated to promoting the significant, on-going contributions to the United States of America made by Irish immigrants and their descendants.

The Society maintains an extensive collection of Irish and American Irish books, newspapers, archives and memorabilia in its landmark headquarters on Fifth Avenue's Museum Mile. Its highly acclaimed literary journal, The Recorder, chronicles the surging creativity of Irish writers on both sides of the Atlantic.

A center of the contemporary American Irish experience, the organization sponsors public programs to explore current issues and celebrates the renaissance in Irish culture from its weekly lectures, visual art exhibits and concerts. The Society has been, from its inception, both non-partisan and non-sectarian.

### **Fighting Fraud: New Risks, Solutions**

#### **Bank Info Security**

**March 15, 2010**

#### **Paul Smocer of BITS on Emerging Technologies, Social Networks**

To listen to the podcast, click here:

<http://www.bankinfosecurity.com/showPodcast.php?podcastID=454>

What are the key banking/security topics on the minds of leaders of the nation's largest institutions?

**Paul Smocer of BITS** discusses:

Banking institutions' information security priorities;

How regulatory reform may impact security organizations;

The future of BITS' Shared Assessments Program - in banking and beyond.

Smocer, VP of Security at BITS, a division of the Financial Services Roundtable, leads the group's security program. Smocer has over 30 years' experience in security and control functions, most recently focusing on technology risk management at The Bank of New York Mellon and leading information security at the former Mellon Financial. While at Bank of New York Mellon and at Mellon, Smocer was actively engaged with BITS as a member of its Vendor Management Working Group, as 2005 Chair of its Security Steering Committee, and as 2004 Chair of its Operational Risk Committee.

**TOM FIELD:** Hi, this is Tom Field, Editorial Director with Information Security Media Group, and I am here with Paul Smocer from the Financial Services Roundtable.

Paul, it is a pleasure to be talking with you again.

**PAUL SMOCER:** Tom, it is good to be talking to you as well.

**FIELD:** Now we are at the RSA Conference ... we have both been here all week, and I would say the resonant themes I have been hearing, especially related to financial services, are about the incidents of fraud prevention and then hearing an awful lot about the ACH issues and the ATM issues that financial institutions have been faced with. What are the security trends that you are most concerned about now?

**SMOCER:** Well, we continue to work a number of initiatives that we had started last year, or even earlier in some cases. I am here at RSA; I spoke on a panel actually with regard to email authentication, and we think that continues to be an important subject to our members for a number of reasons.

Number one, it is one of the main vectors for downloading malware through phishing, and in particular the sophistication of phishing and the targeting of phishing has grown over the years. So when you think of some of the fraud scenarios that you were just speaking to, the way those often start is through somebody getting a phished email that takes them to a location that downloads malware, that captures their credentials, but then allows some fraud to be perpetrated, pretending to be their identity. So, that continues to be a hot issue for us.

We are working not only with our members, but we are working with other associations, other financial associations, as well as with the ISP community to try and find the ways to facilitate the implementation of stronger email authentication across the board.

While we are on the subject of authentication, we are looking at authentication itself. We just went through a significant survey process around authentication practices, both on the customer side and internal to institutions, and we are in the process of kind of assembling that with the idea that hopefully that will serve as a base for us to kind of move into best practices going forward.

We actually just launched a project around biometrics that is a continuation of some work we did last year. The work last year was really based on how far has biometrics come; does it present a viable option in any way? And that work, I think, came to a recognition that in fact the biometrics field has progressed quite a bit, so we are going to see how we might be able to leverage that in that space. In particular for 2010, obviously this whole malware, zero day vulnerability issue is key to us, so we are looking at techniques and possibilities, and we have heard a lot at the conference here obviously around ways it may be addressed. I'm not sure anybody has seen a silver bullet yet, but we are continuing to look at that space. We are also looking at the social networking space, and we are really looking at that from three perspectives. Number one the use of personal social networking within organizations; our industry probably has a little bit greater challenge there than some do because of some of the compliance requirements that come into play with regard to retention of business-related information, particularly in our trading areas. So we are looking at personal use in the workspace. We are looking at

workspace use -- organization-hosted social networks for collaborative purposes. And then kind of on the far end of that, on the emerging side, is the use of social networks as a product delivery channel; so we are continuing to look at that. We are looking at cloud computing, obviously. We have been through a number of sessions here about the pros and cons and the concerns around security, particularly I think focused on the data storage, data privacy question. So we are continuing to work in that space.

We are continuing work around software assurance so secured development lifecycle, threat monitoring, threat practices, etc., so you know there is a whole ecosystem out there, and as I keep telling people: You squeeze one end of the balloon, and another piece moves, so we are trying to get as much of the coverage as we can in working with our members.

But it was interesting this year as we went into 2010, there was probably the strongest level of consensus since I have been working with BITS, either when I was in the industry or on the staff side, around kind of what the key issues were to deal with in 2010.

**FIELD:** Let me ask you about regulatory reform because it is an issue that we brought up in our survey, and I think I was a little surprised to see that banking and security executives very much feel that whatever regulatory reform comes down is going to have a direct impact on information security.

**SMOCER:** Well, I think there is still a lot of debate around what roles the various agencies will play. I think from a practical perspective when this settles and we can figure out what the new regulatory world looks like, that will give the agencies as well a chance to settle and focus more on the cyber IT space. That is not to suggest that the agencies aren't focused on that right now, but there have certainly been some distractions over the last couple of years.

I think that the areas that we are seeing from a regulatory-focused perspective are pretty much the same areas that we just talked about. Certainly authentication, certainly software assurance, certainly some work from some of the agencies in the cloud space. We just saw some new regulation come out from the SEC with regard to social network usage in the environment.

So, I think collectively we are on the same track. We try to stay very close to what the regulators are thinking, either through the work we do at BITS itself, or through some of the other associations we have, for example, at the Financial Services Sector Coordinating Counsel level.

**FIELD:** What can you tell us about the shared assessments program? Any advances in that this year? Are you starting to see more acceptance of it?

**SMOCER:** Well, the program has just gone through another update. As you know, we try to constantly keep the questionnaire portion, the SIG portion, and the agreed upon procedures up to date as the world evolves as it were, so that process is fairly constant.

We are looking to expand; that program is actually run by the Santa Fe Group in association with BITS, but we are looking as well at other industry vertical where

this makes a lot of sense; particularly the healthcare space, as an example. We are still working through the process of trying to get the vendors and all of their users connected, so that the eventual hope of the do-it-once from a service provider perspective becomes a reality, but that continues in some ways to be a challenge to be honest.

**FIELD:** So, we are here at the event this week, what are the conversations you have been here to have and what sort of resonant themes do you see bubbling up?

**SMOCER:** Well, as you know, for the industry as a whole and not just for BITS or the FSTC but the industry as whole, security is a critical and important matter. So we are certainly trying to encourage people to keep focused on the issues. Because while it is important to us, the ecosystem is such that others in the world - you know, financial services doesn't live alone on the internet; it lives in conjunction with a lot of other people. So we try to keep the focus going. We are trying obviously to pick up as much intelligence around what the vendor and service provider community is doing to address some of the issues and whether there are some good or better solutions out there. It is certainly an opportunity to interact with our peers.

Security itself too is in my mind a fairly industry agnostic issue. While some may focus on it more than others, the reality is that the issues in information security really affect all industries. So we are trying to see if there are techniques that other industries have recognized that might serve to improve what we are doing as well.

## **'Move Your Money' campaign wants to sock it to big banks**

**By Kara McGuire**

**Star Tribune**

**March 15, 2010**

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

It all started when Arianna Huffington of the Huffington Post had dinner with some friends who were disturbed by "the huge, growing chasm between the fortunes of Wall Street banks and Main Street banks," Huffington wrote in an essay about the project. The result is [www.moveyourmoney.info](http://www.moveyourmoney.info), a Web site that suggests individuals voice their displeasure with their deposits.

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

about 40 percent of its profits to the community.) Griffin, who lives in Minneapolis, said she also feels safer keeping her money with a smaller bank.

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

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

Even the Minnesota Legislature is considering bills proposing that the state's general revenue account and some reserves of the Minnesota State Colleges and Universities system be deposited with community banks or credit unions.

Morningstar banking analyst Jaime Peters thinks the movement is feeding off of negative perceptions about bailouts of the big banks. Yet in the crisis atmosphere of late 2008, many big banks felt forced to take funds from the government whether they needed to or not. And many, she points out, repaid the government as soon as they could. Among them were Wells Fargo, U.S. Bancorp and TCF Financial.

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

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

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

Smaller isn't always better. Community banks have had their share of troubles too; many have failed over the past year.

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

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

Here are some questions to ask yourself:

- What do you want from the institution that holds your money?
- Does it have free ATMs in convenient locations?
- Does it have branches close to you?
- Does it offer free checking and other products? Consider not only your current needs, but your needs five years from now,

Peters suggests.

- If you bank online, is the Web site up to snuff?
- If you use a personal financial management tool such as [www.mint.com](http://www.mint.com), is the bank or credit union compatible?
- Does it offer financial education for you and your kids?

