

FAST FACTS 2011

Research You Can Use



THE FINANCIAL SERVICES ROUNDTABLE
Financing America's Economy



About

This book is a compilation of Fast Facts issued by the Financial Services Roundtable and other research from January-August 2011.

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Part I: Fast Facts

Fast Facts was created to provide quick, reliable research about the financial services industry and our role in financing the economy.

Fast Facts is distributed weekly to our membership and the Hill.

Fast Facts: BROKERED DEPOSITS

February 4, 2011

On January 13, 2011, the Financial Services Roundtable released a study commissioned through the Cluff Fund and authored by Dr. Clifford Rossi, entitled: [Decomposing the Impact of Brokered Deposits on Bank Failure](#). Below are key takeaways from the report.

FACT: Brokered deposits are large-sum deposits, similar to certificates of deposit, which are sold by a bank to a brokerage company. The brokerage company then divides the brokered deposits into smaller pieces and sells them to the brokerage's customers.

FACT: Numerous failed banks (during and after the savings & loan crisis of the 1990's) have had large positions in brokered deposits – leading some observers to believe that brokered deposits are causal to bank failure.

FACT: Prior to the Dodd-Frank Act, the FDIC issued rules, including Section 29 of the Federal Deposit Insurance Act, that eliminated the use of brokered deposits for firms that are not well-capitalized, capped the rates paid on these funding sources, and raised deposit premiums associated with brokered deposits.

FACT: Using quarterly FDIC call report data from 2007-2009, Dr. Clifford Rossi's study concludes that brokered deposits are not a statistically significant indicator of bank failure.

- Rather, the study concludes aggressive asset growth and risk-taking strategies are leading indicators of bank insolvency.

FACT: The Dodd-Frank Act mandates the [FDIC](#) to study the impact of revising the definitions of brokered deposits and core deposits and examine their role in the economy and banking sector of the U.S. The study will be released prior to July 21, 2011.

Fast Facts: BUDGETARY IMPACT OF DODD-FRANK

April 22, 2011

FACT: On March 30, 2011, Douglas Elmendorf, Director of the Congressional Budget Office (CBO), testified before the House Financial Services Subcommittee on Oversight and Investigations about the [budgetary impact of the Dodd Frank Act](#).

FACT: Over the next ten years, the CBO estimates that the Dodd-Frank Act will result in \$37.8 billion of increased spending; \$27.6 billion of decreased spending; and \$13.4 billion of increased revenues.

FACT: Sources of increased spending include:

- **Creation of new federal organizations**, such as the Consumer Financial Protection Bureau, Financial Stability Oversight Council, Office of Financial Research, and Office of National Insurance (\$6.8 billion)
- **Changes to existing regulatory structure**, such as expanding the authority of the Securities and Exchange Commission and Commodity Futures Trading Commission and eliminating the Office of Thrift Supervision (\$2.7 billion)
- **Grants to state and local governments** for housing relief (\$1.5 billion)
- **Creation of Orderly Liquidation Fund** (\$26.3 billion)

FACT: Sources of decreased spending include:

- **Ending Troubled Asset Relief Program commitments** (\$11.1 billion)
- **Structural changes to the Federal Deposit Insurance Fund** (\$16.6 billion)

FACT: Sources of increased revenue include:¹

- **Fees on the financial services industry** (\$5.6 billion)
- **Assessments for the Orderly Liquidation Fund** (\$6.0 billion)
- **Changes to the Federal Reserve** (\$1.8 billion)

FACT: Additionally, the CBO estimates that over the next five years there will be an increase of \$2.6 billion in discretionary spending with respect to the Dodd-Frank Act.

¹ All together, the Dodd-Frank Act is likely to result in nearly \$27 billion in new private-sector fees, assessments, and premiums.

Fast Facts: CONSUMER CREDIT

March 11, 2011

The following data is provided [by this week's Federal Reserve's G.19 Release](#)

Even though total household debt is [\\$13.4 trillion](#) -- the lowest level since the [fourth quarter of 2004](#) -- recent increases in consumer borrowing for automobiles and education are promising signs for the economy.

FACT: Consumer credit - excluding residential mortgages - grew by 2.5% (\$5 billion) in January 2011. Consumers currently have \$2.4 trillion in outstanding debt.

FACT: This is the [fourth straight month](#) that consumer credit has expanded and the largest monthly expansion in consumer credit since July 2008.

FACT: Non-revolving credit balances increased by 6.9% in January 2011. Non-revolving credit is comprised namely of automobile and student loans.

FACT: Revolving consumer credit balances fell by 6.4% in January 2011. Revolving credit is comprised namely of credit card debt.

- The decrease in credit card debt is due in part to consumers paying off balances.

FACT: Consumer spending accounts for [70% of total economic activity](#).

Fast Facts: CONSUMER FINANCIAL PROTECTION BUREAU

PART I: AUTHORITY

April 15, 2011

The Director of the Consumer Financial Protection Bureau (CFPB) must be appointed by the President and confirmed by the Senate. Currently, no Director is in place. Elizabeth Warren is an Assistant to the President and Special Advisor to the Secretary of the Treasury for the CFPB, but she does not carry the authority of the Director.

What are the CFPB's authorities WITHOUT a Director?

BEFORE July 21, 2011:²

FACT: The Dodd-Frank Act authorizes the Secretary of the Treasury to organize the CFPB and perform “administrative services,” such as:

- Work with other agencies on transferring employees
- Establish the compensation and benefits of those employees, and
- Accompany current federal regulators on consumer compliance examinations of banks, thrifts, and credit unions with more than \$10 billion in assets.

FACT: The Secretary is not authorized to issue rules on behalf of the CFPB prior to July 21.

AFTER July 21, 2011:

FACT: If no Director is in place, the Secretary can perform all the consumer financial protection functions of the Federal Reserve Board, OCC, OTS, FDIC, FTC, NCUA, and HUD. This includes issuing regulations under existing consumer financial protection laws. This also includes supervising banks, thrifts, and credit unions with more than \$10 billion in assets.

FACT: The Secretary is not permitted to carry out new functions of the Bureau. Specifically, the Secretary is not permitted to:

- Prohibit unfair, deceptive or abusive acts or practices in connection with consumer financial products and services
- Prescribe rules and require model disclosures to ensure that the features of a consumer financial product or service are fairly, accurate, and effectively disclosed both initially and over the term of the product or service
- Supervise non-depository institutions

² July 21, 2011 is the designated “transfer date” when consumer financial protection authorities of financial services regulators are transferred to the CFPB. April 2011

What are the CFPB's authorities WITH a Director?

BEFORE July 21, 2011:

FACT: The Director is authorized to:

- Conduct supervisory examinations of non-depository institutions
- Monitor the risk of consumer financial products or services
- Gather information from participants in the consumer financial services markets

FACT: The Director would not have authority to issue regulations under the so-called enumerated consumer laws such as the Equal Credit Opportunity Act (ECOA) and the Truth in Lending Act (TILA) or to regulate unfair, deceptive or abusive acts or practices.

AFTER July 21, 2011:

FACT: The CFPB and its Director are authorized to perform all of the consumer financial protection functions of the Federal Reserve Board, OCC, OTS, FDIC, FTC, NCUA, and HUD. This includes issuing regulations, orders, and guidelines under existing consumer financial protection laws, including TILA, ECOA, the Fair Credit Reporting Act (FCRA), and the Real Estate Settlement Procedures Act (RESPA).

FACT: The CFPB is authorized to supervise banks, thrifts, and credit unions with more than \$10 billion in assets for compliance with Federal consumer financial laws.

FACT: The CFPB's enforcement authority begins as does the authority to regulate unfair, deceptive, or abusive acts or practices, respond to consumer complaints and inquiries, and the authority to create model disclosures, including harmonizing TILA and RESPA.

Fast Facts: CONSUMER FINANCIAL PROTECTION BUREAU

PART II: FUNDING

FACT: The Consumer Financial Protection Bureau (CFPB) is primarily funded by the Federal Reserve. These funds are not reviewable by either the House or Senate Committees on Appropriations.

FACT: Each year, the Director of the CFPB determines and requests of the Federal Reserve the level of funding “reasonably necessary to carry out the authorities of the Bureau under Federal consumer law.”³

- No agency is authorized to review or change the Director’s request.
- The Dodd-Frank Act limits the CFPB’s funding to a percentage of total operating expenses of the Federal Reserve System, (10% for FY 2011, 11% for FY 2012, and 12% after that). Estimates of this cap range from \$404 million to \$539 million.

FACT: If the Director of the CFPB determines it needs more money than the amount provided by the Federal Reserve, the Director is authorized to ask Congress for up to \$200 million in discretionary appropriations. (The CFPB has said that it does not plan to request discretionary appropriations in FY 2011 or FY 2012).

FACT: The Congressional Budget Office has estimated that over the next 10 years the cost of the CFPB will be \$5.9 billion.⁴

- As of January 21, 2011, the CFPB implementation team had requested and received \$32.77 million to support establishment of the Bureau.
- According to the Administration’s Budget, \$134 million is budgeted for the CFPB in FY 2011 and \$329 million is budgeted for FY 2012.

FACT: The FY 2011 Continuing Resolution negotiated last weekend calls for an annual independent audit of the operations and budget of the CFPB, and a GAO study on financial services regulations, including the activities of the CFPB.

³ The Director can only make funding requests *after* the designated transfer date, July 21, 2011.

⁴ Note this is the direct cost to the U.S. government and does not include the impact of compliance costs on the economy.

Fast Facts: CONSUMER FINANCIAL PROTECTION BUREAU

PART III: STAFFING

May 6, 2011

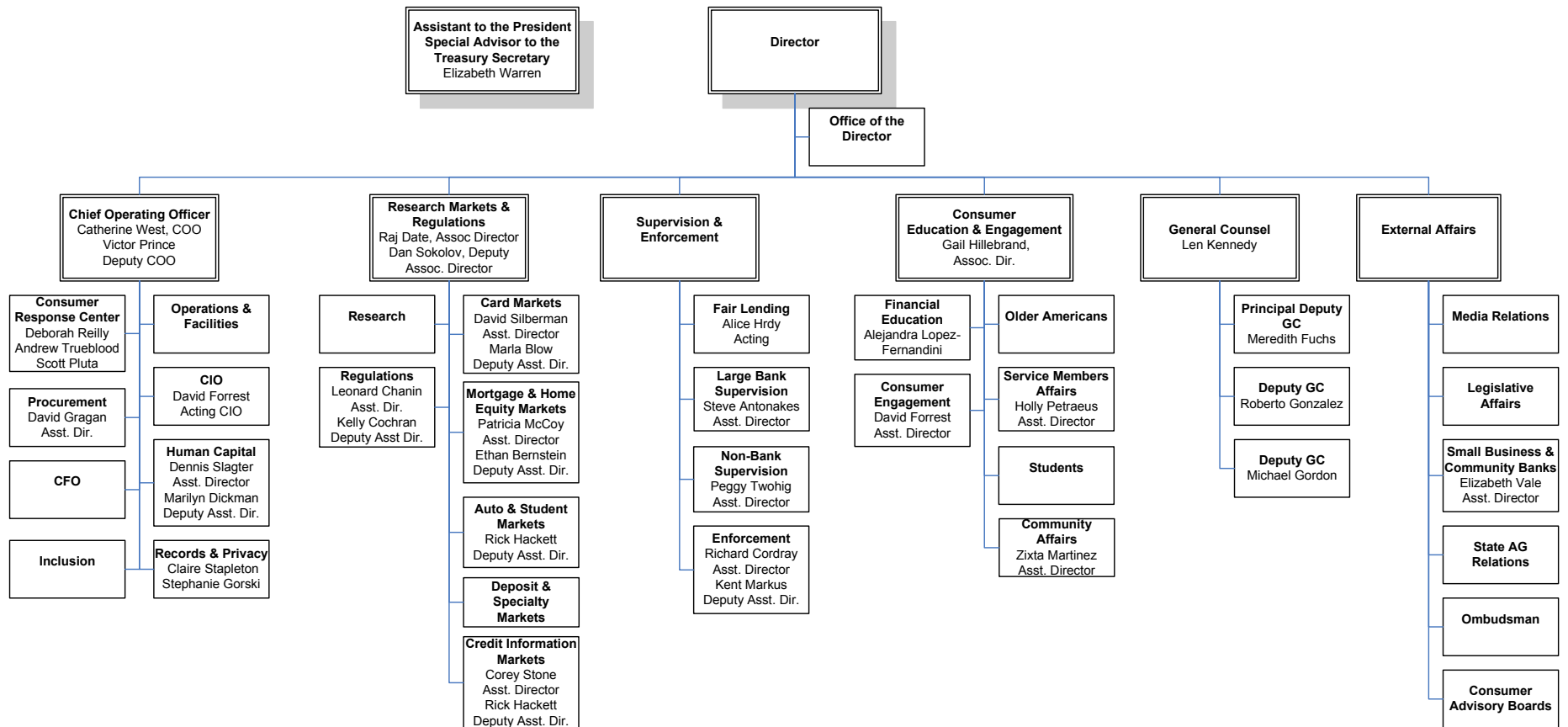
FACT: On March 16, 2011, Elizabeth Warren discussed staffing of the Consumer Financial Protection Bureau (CFPB) [in her testimony](#) to the House Financial Services Subcommittee on Financial Institutions and Consumer Credit.

FACT: At the time of her testimony, Professor Warren reported that the CFPB implementation team consisted of approximately 175 members.

FACT: Employees of the CFPB come from a variety of backgrounds, as reported by Professor Warren:

- **Steve Antonakes**, the former Commissioner of Banks in Massachusetts, serves as Assistant Director for Large Bank Supervision for institutions such as banks and thrifts;
- **Peggy Twohig**, a former financial services lawyer and a 17-year veteran of the Federal Trade Commission, serves as Assistant Director for Non-Bank Supervision.
- **Leonard Chanin**, currently Deputy Director of the Federal Reserve Board's Division of Consumer and Community Affairs, will head the rule-writing team; and
- **Richard Cordray**, the former attorney general of Ohio, serves as Assistant Director for Enforcement.
- **Raj Date**, who worked in and around consumer finance and banking for 15 years, will serve as Associate Director of Research, Markets, and Regulations;
- **Len Kennedy**, former General Counsel of Sprint Nextel, has assumed that role at the CFPB;
- **David Silberman**, Assistant Director for Card Markets, comes to us after having built a credit card for the AFL-CIO and then becoming a well-respected banking consultant;
- **Corey Stone** left his position as Chairman of the Board of a community bank and as CEO of an alternative credit reporting business to serve as Assistant Director for Credit Information Markets;
- **Elizabeth Vale**, who started her professional career with a community bank and eventually served as a managing director at Morgan Stanley, will serve as Assistant Director for Community Banks and Credit Unions.
- **David Forrest**, who spent the last 16 years working at the Motley Fool – a multimedia financial-services company that promotes investor education – as Assistant Director of Consumer Engagement;
- **Zixta Martinez**, an expert on housing policy, as Assistant Director of Community Affairs to work with consumer, civil rights, and other organizations;
- **Patricia McCoy**, a well-recognized scholar on the housing market, as Assistant Director for Mortgage and Home Equity Markets;
- **Holly Petraeus**, a top financial educator for military families, to lead the consumer bureau's Office of Servicemember Affairs; and
- **Dennis Slagter**, formerly Director of Human Resources at the Millennium Challenge Corporation, as Assistant Director for Human Capital.

Organizational Chart of the CFPB



Fast Facts: COMMERCIAL LENDING

April 29, 2011

FACT: Commercial and industrial (C&I) lending *continues* to show glimpses of recovery—increasing by \$22.8 billion from the end of 2010. Currently, \$1.25 trillion C&I loans are outstanding according to the Federal Reserve.

FACT: Banks cited improved C&I loan demand in their first quarter earnings reports for 2011:

- “We experienced healthy growth in average C&I loans of 8.7% on an annualized basis compared with last quarter.” [Chairman and CEO, Kelly King, BB&T](#)
- “Average loans of \$150 billion for the first quarter increased \$.2 billion compared with the fourth quarter as a result of a 4% increase in average commercial loans largely from a modest increase in utilization and new business activity.” [PNC](#)
- “Average commercial and industrial loans grew 2% from 4Q10.” [Bank of America](#).
- “Average commercial loans outstanding were 1.9% higher, excluding acquisitions, in the first quarter than the prior quarter, as lending and commitments to corporate, middle market and small business customers grew.” [Chairman, President, and CEO Richard Davis, U.S. Bancorp](#)
- “Chase lent or increased credit to over 100,000 small businesses; extended or increased loan limits to approximately 1,500 middle market companies; and lent to or raised capital for more than 3,500 corporations. Chase commits to lend \$12 billion to American small businesses in 2011, a 20% increase over its 2010 commitment.” [JP Morgan Chase](#).
- C&I lending grew 3.3% on a linked quarter basis from 4Q10. [M&T Bank](#)
- “Average commercial and industrial loans grew \$933 million, driven by customers’ capital expenditures, increasing investments in inventory and M&A.” [Regions Bank](#)
- “As the economy continued an uneven recovery, our business customers increased borrowing and utilization of credit lines – a hopeful sign that businesses are once again investing for growth.” [Chairman and CEO John Stumpf, Wells Fargo](#)
- “Compared to the previous quarter, average loan balances increased \$53.8 million due mainly to growth in business loans.” [Chairman and CEO David Kemper, Commerce Bank](#)

Fast Facts: DEBIT CARDS

PART II

January 17, 2011

In the next several months, the Federal Reserve will establish price controls on 35% of all noncash payments with no Congressional hearing, independent analysis, or any guarantee that the price controls will not harm consumers.

FACT: On December 16, 2010, the Federal Reserve proposed a rule to fix the price of debit interchange, reducing fees by an average of 84%.

FACT: The Federal Reserve’s proposal to cap debit interchange fees at \$0.07 to \$0.12 per transaction will force financial institutions to process debit card transactions *well below the cost* of providing them.

- The proposal does not take into account funding costs, overdraft losses, billing and collection, customer service, data processing, protection of customer data and fraud losses that relate to supporting debit services – nor does it take into account the investment and development costs borne by financial institutions to create these electronic payment networks.
- According to the Federal Reserve’s previous work on this issue, “determining an appropriate regulated value for the interchange fee can be quite challenging...and calculation of that fee requires knowledge of social costs and benefits that are **difficult, if not impossible, to measure accurately.**”

FACT: It costs \$300 to \$350 annually per customer to maintain a checking account. If fees are significantly reduced, financial institutions will have to recover these costs elsewhere.

- According to the [GAO](#), when Australia capped interchange fees, consumers received fewer benefits and paid more for their cards.

FACT: Low and moderate-income consumers will be disproportionately hurt from increasing fees. “Many low-income **Americans will be unable to qualify for free checking** under the new <debit> fee regime, meaning they will have to pay higher fees or drop out of the banking system” to payday lenders and loan sharks, according to Professor Todd Zywicki of George Mason University.

FACT: Consumers won’t necessarily benefit from lower prices at the store. “Many industry participants acknowledged that it would be difficult to prove a direct link between lower interchange fees and lower consumer prices,” according to [GAO](#).

FACT: Merchants receive a variety of benefits—**primarily, increased sales**—from accepting card payments. These benefits are not reflected in the Federal Reserve’s proposal nor were they discussed at the December 16 meeting.

FACT: The routing and exclusivity rules are significant changes from the original amendment in May and have not been reviewed by the full legislature and/or the payments industry.

- These provisions will pick winners and losers among networks, thereby reducing the number of networks in the US and significantly undermining network competition and innovation.

FACT: The routing rules effectively give retailers (not consumers) the power to control every debit transaction.

- According a survey of debit card users, 67 percent oppose giving retailers the choice about which network to route their transactions. 86 percent of consumers don't want an unfamiliar network processing their debit transaction.

FACT: Federal Reserve Governors expressed hesitation about the impact of their proposed rule and requested public comment at the December 16 meeting:

“Sometimes when we submit a proposed rule we’re pretty convinced we have it basically right... <The proposal> suggests to me that we should be more open than usual to a variety of comments.” Governor Tarullo

“I think we should be particularly keen to listen to comments and people’s perspectives. I would be particularly interested in comments on whether there is a more viable, pro-competitive alternative to setting prices.” Governor Warsh

“We will be interested in reviewing commenters’ input on the proposal as we determine what refinements should be made when it is adopted as a final rule.” Vice Chairman Yellen

For more information, please review:

Regulating Debt Cards: The Case of Ad Valorem Fees, by Zhu Wang, Federal Reserve Bank of Kansas City, Economic Review, First Quarter 2010

Interchange Fees and Payment Card Networks Economics, Industry Developments, and Policy Issues, by Prager, Manuszak, Kiser, Borzekowski, Federal Reserve, Finance and Economics Discussion Series: 2009-23.

Fast Facts: DEBIT CARDS

PART III

March 18, 2011

This week's Fast Facts highlights the report released today by Dr. Clifford Rossi and Dr. William Longbrake of University of Maryland regarding debit card interchange fees.

FACT: Dr. Rossi and Dr. Longbrake developed a simulation of a two-sided market, which describes the structure of a debit card market, to determine the impact of regulating interchange fees. From economic theory and the numerical simulation, they reach the following conclusions:

- The interchange fee is a mechanism for allocating costs collectively across both consumers and merchants in a way that maximizes participation and value.
- There is no evidence of card overuse or market failure in the current debit card market.
- In the two-sided, multiple issuer and acquirer market, there is not a single interchange fee that aligns the optimum values of profits, output, utility, and economic welfare.
- Imposing a cap on interchange fees introduces economic distortions that benefit merchants, harm consumers, and lead to overall suboptimal levels of economic and social benefits.
- The Federal Reserve's proposal to cap debit card interchange fees at "allowable costs," which limits fees to direct variable costs of production, will exacerbate the negative and potentially far-reaching consequences of market pricing intervention.
- A restriction in consumer payments could have a procyclical impact and slow down the economic recovery at a time when the economy is still fragile.

The full report by Dr. Rossi and Dr. Longbrake, including a technical description of their numerical modeling, can be accessed [here](#). Additionally, conversations with the study's authors can be coordinated upon request.

Fast Facts: DEBT CEILING

July 14, 2011

What Will Happen After August 2nd If Debt Ceiling Is Not Raised

FACT: There will be a [\\$4 billion-a-day gap](#) between the revenues that are coming in and the expenditures that we have, according to Former Comptroller General David Walker.

FACT: The [Bipartisan Policy Center](#) (BPC) estimates that the Treasury Department would need to implement an immediate 44 percent cut in federal spending in the event the debt ceiling is exceeded.

According to BPC, if the administration tries to protect Social Security, Medicare, Medicaid, defense contracts and unemployment insurance, then no military pay, tax refunds, federal civilian pay or welfare payments could be made that month.

FACT: Credit rating agencies will downgrade U.S. debt.

- [Standard & Poors](#) warns that if the U.S. defaults on a \$30 billion debt payment on August 4, the nation's credit rating will be downgraded severely from its long-held AAA to a D ranking.
- [Moody's Investors Service](#) warns that a review of the U.S. government's Aaa bond rating could come by mid-July "if there were no progress on increasing the statutory debt limit."
- [Fitch Ratings](#) says it will put U.S. debt on watch for downgrade in early August in the event that Congress fails to lift the federal debt limit before other stopgap measures are exhausted.

FACT: A default would severely disrupt the \$4 trillion Treasury market, resulting in higher borrowing costs and possibly triggering a deleveraging event.

- If even one interest payment is missed, some analysts believe it could add [25 to 50 basis points to Treasury yields](#) going forward.
- [Every 1% increase in interest rates](#) (100 basis points) will cost the U.S. government an additional \$150 billion a year.

FACT: U.S. banks hold \$250-\$300 billion worth of Treasuries on their balance sheets. If Treasury yields rose significantly, the book value and [capital at banks could be impaired](#).

Fast Facts: DERIVATIVES & THE DODD-FRANK ACT

March 23, 2011

FACT: Thousands of American businesses use derivatives to hedge interest rate risk, foreign exchange risk, commodity price risk, etc.

- In testimony before the [House Financial Services Committee on February 15, 2011](#), Craig Reiners, Director of Risk Management for MillerCoors, spoke of the use of derivatives by end-user companies as “critical to reducing commercial risk and volatility in our day-to-day business operations, allowing us to create sustainable and prosperous businesses.”

FACT: There are two main categories of derivatives: (1) Over-the-counter (OTC) derivatives, which are traded directly between two parties without an intermediary; (2) Exchange-traded derivatives, which are publicly traded in a market setting with standardized contracts.

FACT: The Dodd-Frank Act mandates that most OTC derivatives to be cleared at a clearing house and traded on an exchange or a Swap Execution Facility (SEF) to bring transparency to the market.

FACT: There are over 50 rules that have to be made by the SEC and CFTC by July 2011 concerning derivatives as required by the Dodd-Frank Act. Thus far, the CFTC has issued 35 rules for comment that in the Federal Register.

FACT: On March 16, 2011, [CFTC Chairman Gary Gensler spoke](#) before the Futures Industry Association and described derivatives reform as occurring in three phases – early, middle, and late. Derivatives products will not be defined until the late phase, meaning that market participants will be asked to adhere to rules without knowing what products are impacted.

Attached is a derivatives “cheat sheet” that describes the different types of derivatives and asset classes.

Derivative Cheat Sheet

Definition: A derivative is an instrument whose value is based on or “derived” from one or more underlying assets or another financial instrument, such as currencies, commodities, indices, or published rates.

Basic types of derivatives

- **Forward:** An agreement entered into today to buy or sell a specified asset at a specified future date for an agreed ‘forward’ price.
 - Swaps are a series of forward contracts while futures are forward contracts with standardized terms that trade on an exchange.
- **Options:** Gives the holder the right to enter into a financial transaction at some point in the future at a predetermined level.
 - **Call** – Right to buy
 - **Put** - Right to sell

Major asset classes

- **Interest Rate** – “**Interest Rate Swap**” or “**Basis Swap**”- Used to cover interest rate exposure
- **Credit** – “**Credit Default Swap**” - Used to transfer credit risk of an asset without transferring ownership of the asset
- **Equity Swaps** – Used to transfer risk associated with equity exposure.
- **Foreign exchange** – “**FX Swap**” - Used to manage short-term and long-term exposure to foreign exchange rates.
- **Commodity** – e.g. “**Energy, Metal, or Agricultural Swaps**” – Used to transfer price risk associated with such markets as agricultural goods and products as well as energy and metals.

Fast Facts: DISABILITY INSURANCE

May 13, 2011

The following statistics are provided by the Council for Disability Awareness and America's Health Insurance Plans.

FACT: [67% of workers](#) in the private sector have no long-term disability insurance.

FACT: [Fewer than half](#) (46%) have even discussed disability planning.

FACT: [Most baby boomers](#) (55 percent) say they are financially unprepared if the primary wage earner in their household became disabled and was unable to work for an extended period of time.

FACT: Just over [one in four of today's 20 year-olds](#) will become disabled before they retire.

FACT: Over [36 million Americans are currently classified as disabled](#). More than 50% of those disabled Americans are in their working years, from 18-64

FACT: Employer-sponsored disability coverage provides income protection to more than [50 million employees](#) for short-term disabilities and about 40 million employees for long-term disabilities.

FACT: In 2010, long-term disability payments from private insurers to individuals with disabilities totaled more than [\\$8.1 billion](#).

May is Disability Insurance Awareness Month (DIAM).

Learn more about how to “protect your paycheck” at the [Council for Disability Awareness](#), [WISER](#), or the [LIFE Foundation](#).

Fast Facts: DODD-FRANK RULEMAKING

June 24, 2011

Looking Ahead to the Third Quarter

The following information is provided by [Davis Polk's Dodd-Frank Rulemaking Progress Report](#) from June 1, 2011.

FACT: The Roundtable has filed over 100 comment letters since the passage of the Dodd-Frank Act. This compares to previous averages of 12-14 comment letters per year.

FACT: The third quarter of 2011 will be the biggest quarter yet. Nearly 30% of the 385 required rulemakings under the Dodd-Frank Act are scheduled to be finalized during this time.

FACT: The Securities & Exchange Commission and the Commodity Futures Trading Commission are responsible for nearly 75% of the required rulemakings in the third quarter. The majority of rulemaking will deal with over-the-counter derivatives.

FACT: According to Davis Polk, “many agencies will have no choice but to miss deadlines in an increasing number of instances.” Currently, federal agencies have proposed 115 rules, finalized 24 rule, and missed 28 statutory deadlines.

FACT: Running parallel to rule requirements, are Dodd-Frank required studies to inform future legislation and rulemaking. Of the 87 studies required by the Dodd-Frank Act, 24 have been completed.

FACT: In the third quarter, 17 studies are due, with the majority coming out of the Government Accountability Office.

For information about upcoming rules, see the Roundtable's calendar [here](#). View the full Davis Polk report – including charts & graphs – [here](#).

Additionally, please note, the Roundtable's position is that while agencies are “behind” in issuing final rules, we believe it is more important to get rules right than make the statutory deadlines, despite the logistical inconvenience the latter may cause.

Fast Facts: 2011 ECONOMIC OUTLOOK

January 13, 2011

FACT: The [Congressional Budget Office](#) estimates that 2011 will be a time of growth that will accelerate going into 2012-2014.

- The economy (nominal GDP) is predicted to grow by 3.1% in 2011 and 5.6% in 2012-2014.
- The unemployment rate is predicted to be 9% in 2011 and drop to 6.7% from 2012-2014.

FACT: By a two-to-one margin, Americans think that the economy will be better this year than last year, according to [Gallup](#). Forty-four percent think their personal financial situation will be better in 2011.

FACT: The private sector has been accumulating resources that could be deployed when economic conditions improve.

- According to the [Federal Reserve](#), nonfarm, nonfinancial businesses are holding \$1.9 trillion dollars of liquid assets – an 8% increase from the end of 2009 and 38% over 2008 levels.

FACT: The [Mortgage Bankers Association](#) predicts that the housing market will continue to improve.

- Sales of existing homes are expected to increase 12% by the end of 2011 and 33% for new homes, compared to 2010.

FACT: Banks are continuing to increase access to loans. The most recent [Federal Reserve Senior Loan Officer survey](#) indicated that, on net, banks are easing standards on loans to both large and small businesses and consumers.

FACT: In his first testimony to the new Congress on January 7, 2011, [Chairman Bernanke](#) told the Senate Budget Committee, “We have seen increased evidence that a self-sustaining recovery in consumer and business spending may be taking hold... Overall, the pace of economic recovery seems likely to be moderately stronger in 2011 than it was in 2010.”

Fast Facts: FIDUCIARY RESPONSIBILITY

January 28, 2011

The following information is provided by the GAO in their [January 2011 Consumer Finance report](#).

FACT: Between 2000 and 2008, the number of financial planners more than doubled, from 94,000 to 208,400, respectively. By 2018, the number of financial planners could reach 271,200 as millions of retiring Baby Boomers need advisers to assist with their retirement plans.

FACT: Consumers generally do not understand the distinction between different types of financial planners (broker-dealers versus investment advisors) and different standards of care (suitability versus fiduciary), according to a 2008 RAND survey cited in the GAO study.

FACT: There are three main types of financial planners outlined in the GAO study:

1. **Investment Advisers:** Give advice about securities.
 - Governed by the Investment Advisers Act of 1940, rules from SEC, and state securities laws.
 - Have *fiduciary* duty to render services solely in the *best interest* of clients and disclose conflicts of interest.
2. **Broker-Dealers:** Recommend, purchase, and sell securities.
 - Governed by the Securities and Exchange Act of 1934, rules of SEC, FINRA, and state securities laws.
 - Have *suitability* rules requiring that recommendations are *suitable* for customers.
3. **Insurance Agents:** Recommend and sell insurance products.
 - Governed by state insurance laws.
 - Have *suitability* rules that vary by product and state insurance law.

FACT: The Department of Labor has proposed rules changing who is considered an ERISA/IRA fiduciary, and the SEC has issued a staff study addressing whether to implement uniform standards of care for broker-dealers and investment advisers when providing personalized investment advice to retail customers.

FACT: On January 22, 2011, the SEC submitted [this study](#) to Congress in answer to Section 913 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which charged the SEC to study the obligations of broker-dealers and investment advisers. The SEC study was accompanied with this [statement](#) by Commissioners Casey and Pardes.

Fast Facts: FINANCIAL LITERACY

April 8, 2011

FACT: April is financial literacy month – as announced by [President Obama](#) last week.

FACT: In 2010, Roundtable member companies completed over 28,000 financial literacy projects.

- This year will be no exception. In April 2011, financial literacy events are occurring all across the country. To view a calendar of financial literacy events and see if there's one near your community, click [here](#).

FACT: Significant improvement has been made incorporating financial literacy into education curriculum. The number of states requiring students to take a personal finance course as a high school graduation requirement [increased from seven in 2007 to 13 in 2009](#), and 34 states now require that personal finance content standards be implemented, up from 28 in 2007.

FACT: The need for improved financial literacy is still great.

- [41% of U.S. adults](#), or more than 92 million people living in America, gave themselves a grade of C, D, or F on their knowledge of personal finance.
- Many young adults admit they [don't feel adequately prepared](#) to make good financial choices when it comes to using debt wisely (28%), saving for the future (40%), or investing their money (43%).
- [44% of parents](#) admit to needing more guidance on how to best teach their children the skills necessary to become financially responsible and successful adults.
- The majority (52%) of young adults between the ages of 23 and 28 consider ["making better choices about managing money"](#) the single most important issue for individual Americans to act on today.
- [Nearly 50 percent of teens](#) are unsure of how to use a credit card effectively, yet 24 percent think high school or younger is when they should get their first credit card.
- In 2011, [73% of teens](#) use a savings account, checking account, debit card or credit card, compared to 66 percent in 2009.

Financial literacy month is a time to improve your financial knowledge. For more resources, please visit www.MyMoney.gov or www.ConsumerFinance.gov, or call toll-free 1-888-MyMoney.

Fast Facts: FINANCIAL LITERACY IN THE CLASSROOM

July 22, 2011

FACT: Financial literacy is improving in the schools.

- [13 states](#) require students to take a personal finance course as a high school graduation requirement, up from 7 in 2007.

FACT: Students benefit from being financially literate:

- According to a [Gallup/Operation Hope survey](#), approximately 4 times as many engaged students than actively disengaged students qualify as financially literate, and approximately 4 times as many thriving students than suffering students qualify as financially literate.
- Students with savings accounts are [seven times](#) more likely to attend college.

FACT: Nearly half of students feel financially unprepared.

- Many young adults admit they [don't feel adequately prepared](#) to make good financial choices when it comes to using debt wisely (28%), saving for the future (40%), or investing their money (43%).
- [Nearly 50 percent of teens are unsure of how to use a credit card effectively](#), yet 24% think high school or younger is when they should get their first credit card.

FACT: According to a [Networks Financial Institute survey](#), 41% of financial literacy teachers believe one of the major obstacles preventing them from teaching financial literacy is a lack of materials.

FACT: The Financial Services Roundtable has identified 36 free programs that can be used in classrooms and at home. Of these programs, 22 curriculums can be completed online, and 6 curriculums provide free volunteer tutors.

FACT: Over 20 different federal agencies have more than 50 financial literacy initiatives under way that could be leveraged for the classroom.

Fast Facts: FINANCIAL REPORTING

February 25, 2011

FACT: On January 18, 2011, President Obama signed the “Improving Regulation and Regulatory Review” Executive Order to reduce unnecessary regulatory burdens and ensure that our regulatory system “promotes economic growth, innovation, competitiveness, and job creation.”

FACT: According to a recent Financial Services Roundtable survey, member companies file some combination of more than 185 different reports on a varying basis (e.g. daily, weekly, monthly, quarterly, annually, every five years, and as-needed) with 16 different federal agencies:

- Bureau of Economic Analysis
- Commodity Futures Trading Commission
- Department of Education
- Department of Labor
- Department of Housing and Urban Development
- Department of the Treasury
- Economic and Statistics Administration
- Federal Deposit Insurance Corporation
- Federal Financial Institutions Examination Council
- Federal Reserve Board of Governors
- Federal Trade Commission
- Financial Industry Regulatory Authority
- Municipal Securities Rulemaking Board
- Office of the Comptroller of the Currency
- Office of Thrift Supervision
- Securities and Exchange Commission

FACT: The Roundtable’s survey does not take into account many of the *special request reports*, such as stress tests, or *additional reports* that will likely be requested as a result of the Dodd-Frank Act.

FACT: On February 22, 2011, the Roundtable submitted the results of its data survey to President Obama, Cass Sunstein (The Administrator of the Office of Information and Regulatory Affairs), and the responsible agency heads.

The Roundtable’s data survey can be found [here](#).

Fast Facts: FINANCIAL STABILITY OVERSIGHT COUNCIL

January 21, 2011

The Financial Stability Oversight Council (FSOC) is a new federal entity created by the Dodd-Frank Act. The FSOC is chaired by Secretary Geithner and charged with identifying threats to the financial stability of the United States, promoting market discipline, and responding to emerging risks to financial stability.

FACT: The Dodd-Frank Act directs the FSOC to designate financial companies whose failure could pose a threat to the financial stability of the United States as systemically important financial institutions (or “SIFIs”).

FACT: Once designated as a SIFI, the Federal Reserve can apply heightened prudential standards such as risk-based capital and leverage limits; liquidity requirements; overall risk management requirements; resolution plans; and new loan concentration limits.

FACT: Under the Dodd-Frank Act, 36 bank holding companies with over \$50 billion in assets are automatically designated as SIFIs.

FACT: On January 18, 2011 the FSOC released a [notice of proposed rulemaking](#) about which non-bank financial companies could be designated as SIFIs and subject to heightened prudential standards.

- The proposed designation framework is organized around six broad categories: (1) Size; (2) Lack of substitutes for the financial services and products the company provides; (3) Interconnectedness with other financial firms; (4) Leverage; (5) Liquidity risk and maturity mismatch; and (6) Existing regulatory scrutiny.

FACT: Designation requires a two-thirds vote of the FSOC members and a concurring vote of the Secretary of the Treasury. After designations are announced, which are expected this spring, companies are given 30 days to contest their standing on the basis of the decision being “arbitrary and capricious.”

To learn more about the FSOC and its activities:

Please view the [official FSOC website](#) and the [Roundtable’s white paper about the Financial Stability Oversight Council](#).

Additionally, the FSOC recently released the following studies that may be of interest: [The FSOC’s Study and Recommendations Regarding Implementation of the Volcker Rule](#), and [The FSOC’s Report on the Concentration Limit on Large Financial Companies](#).

Fast Facts: GSE REFORM

February 18, 2011

Fannie Mae was established as a federal agency in 1938, and was chartered by Congress in 1968 as a private shareholder-owned company. Freddie Mac was chartered by Congress in 1970. Both had the statutory mission to provide liquidity, stability and affordability to the U.S. housing and mortgage markets.

FACT: In September 2008, Fannie Mae and Freddie Mac were placed in government conservatorship under the authority provided by the Housing and Economic Recovery Act of 2008.

- Fannie and Freddie became insolvent as a result of inadequate capital held against their leveraged portfolios that were exposed during the housing crisis.

FACT: Over the course of the financial crisis, the Treasury Department injected \$134 billion of taxpayer dollars into Fannie Mae and Freddie Mac to keep them solvent so they could honor their debt and guarantees.

FACT: In examining the role of Fannie Mae and Freddie Mac in the financial crisis, [Mark Zandi of Moody's Analytics](#) reached the following conclusion, "The missteps and failure of the GSEs did not cause the housing market and mortgage finance system to collapse, but they set off a chain of events resulting in the most severe financial crisis and economic downturn since the Great Depression."

FACT: On February 11, 2011, the Treasury released its [31-page proposal](#) about how to reform the GSEs, as mandated by the Dodd-Frank Act. In the report, the Administration recommends allowing the GSEs' maximum loan limits to decline to \$625,500 from \$729,750 on October 1, 2011 and gradually increasing minimum down payments to 10% on loans eligible for purchase by Fannie Mae and Freddie Mac.

- The Administration also presents three options for replacing the GSEs with a new secondary mortgage market structure. A brief description of the three proposed options is attached.

The Housing Policy Council of The Financial Services Roundtable has proposed an [alternative plan](#) to maintain consistent, affordable access to 30-year fixed rate mortgages, return private capital to the secondary mortgage market, minimize taxpayer exposure, and provide a catastrophic backstop to maintain liquidity in the mortgage market.

Three possible courses for long-term reform

As presented by the Administration in their Feb. 11 report

Option 1: “Privatized system of housing finance with the government insurance role limited to FHA, USDA and Department of Veterans’ Affairs’ assistance for narrowly targeted groups of Borrowers”

Under this option, FHA, VA and USDA remain the federal government's actors in the mortgage market, but there will no longer be federal financial backstops available for investors in the event of losses.

Option 2: “Privatized system of housing finance with assistance from FHA, USDA and Department of Veterans’ Affairs for narrowly targeted groups of borrowers and a guarantee mechanism to scale up during times of crisis”

Under this option, FHA, VA and USDA will remain the federal government's actors in the mortgage market, but there will be an unspecified federal backstop that would "scale up" during times of economic crisis but otherwise not be an actor in a private lender-dominated mortgage marketplace.

Option 3: “Privatized system of housing finance with FHA, USDA and Department of Veterans’ Affairs assistance for low- and moderate-income borrowers and catastrophic reinsurance behind significant private capital”

Under this option, FHA, VA and USDA will remain the federal government's actors in the mortgage market, but there will be the creation of a government reinsurer that would insure against “catastrophic” losses for soundly underwritten mortgages. This entity will step in only if the private guarantors fail and the reinsurance fund is depleted.

The full report is available [here](#).

Fast Facts: IRAs & FIDUCIARY DUTY

June 10, 2011

FACT: Over [49 million U.S. households](#) are invested in individual retirement accounts (IRAs).

FACT: IRAs are [the fastest growing accounts](#) and currently hold a larger portion of retirement assets than pension funds.

FACT: There are two methods of compensating financial professionals who work with IRA owners:

- **Advisory fee based IRAs:** The advisor is paid an advisory fee to provide one or more of the following services: ongoing investment recommendations, portfolio monitoring, account surveillance, and broad financial planning to the IRA investor.
- **Commission-based IRAs:** The broker or insurance agent is paid a commission on any products purchased by the IRA investor.

FACT: Advisory-fee based IRAs are subject to a “fiduciary” standard of care under the Investment Adviser’s Act, resulting in more government supervision and thus are more costly to operate.

FACT: On October 22, 2010, the Department of Labor’s Employee Benefits Security Administration proposed a rule to expand the definition of “fiduciary” to apply to commission-based IRAs and any individual who provides advice regarding the “value, management, purchasing, or selling of securities.”

FACT: According to [a recent study by Oliver Wyman](#), if this rule is enacted, commission-based IRA investors who elect to be served in an advisory fee model could experience increased costs of approximately 75% to 195%.

FACT: The study predicts that [7.2 million current IRA holders](#) would not qualify for an advisory fee based account because of the account minimums required for advisory services.

FACT: The study predicts that [3.8 million current IRA holders](#) would leave the IRA market entirely, which equates to a \$96 billion loss of retirement savings by 2030.

Fast Facts: MALWARE RISKS & MITIGATION

June 17, 2011

FACT: *Malware* is malicious computer code with which cyber criminals try to infect a computer system, compromise its security controls, and steal information.

FACT: In 2010, reports of [malware infection grew to 64.3%](#) (from 50% in 2009) among U.S. corporations, government agencies, financial institutions, educational institutions, medical institutions and other organizations.

FACT: In April 2011, [one in every 168 emails contained malware](#), rising from one in every 208 emails in March of 2011.

FACT: [Financial services firms were the primary targets](#) in 33% of 2009 and 22% of 2010 cases, making them the most targeted sector in 2009, though in 2010 they were surpassed by hospitality and retail.

FACT: Financial institutions protect against malware through security controls such as ongoing, threat-based software patching programs; strong software change control processes; system and traffic log monitoring; firewalls; and incident reporting and response plans.

FACT: This week, BITS released a [“Malware Risks and Mitigation Report”](#) to assist financial institutions and related industry stakeholders to identify and address malware risks at the enterprise level and to collaborate with others to address malware more broadly.

FACT: Additionally, ITAC, the Identity Theft Assistance Center, led by [Anne Wallace](#) at the Roundtable, [recently conducted a "radio tour"](#) to alert consumers to the fraud and identity theft risks associated with malware.

BITS is the technology policy division of The Financial Services Roundtable. BITS addresses issues at the intersection of financial services, technology and public policy, where industry cooperation serves the public good, such as critical infrastructure protection, fraud prevention, and the safety of financial services.

Fast Facts: MOBILE BANKING

February 11, 2011

FACT: Mobile banking usage is estimated to grow from 10 million active users in 2009 to over [53 million active users in 2013](#), representing a compound annual growth rate of 51.8%.

FACT: The number of consumers comfortable using a mobile phone to handle online financial tasks has doubled from two years ago; 34% percent of consumers in 2010 compared to 14 percent in 2008.

- According to KPMG's "[Consumers & Convergence Survey](#)," 46% of consumers surveyed have used their mobile device for banking purposes.

FACT: The developed nations of the Far East, North America and Western Europe are forecast to account for over 70% of the mobile banking base in 2011, according to [Juniper Research](#).

FACT: The following companies had mobile banking apps highlighted as "the five best mobile banking apps now" in the [American Banker](#):

- **Citi:** "Tap & Go" Stickers – Enables customers to make payments of up to \$50 by tapping a payment tag on their mobile devices on the MasterCard® *PayPass*™ reader.
- **J.P. Morgan Chase:** "QuickDeposit" and "QuickPay" – Enables customers to deposit checks by taking pictures of the front and back of checks with an iPhone.
- **State Farm Bank:** "Pocket Agent" – The MyTime Deposit feature of Pocket Agent allows customers to deposit checks by taking a picture of the check using an iPhone or Android device.
- **MasterCard:** "Priceless Picks" and "Overwhelming Offers" – Enables customers to receive recommendations about products from users and receive discounts.
- **Wells Fargo:** "CEO Mobile" – Enables corporate customers to conduct wire transfers, monitor bank balances, and view transaction details on the iPhone.

FACT: Consumers should only install verified mobile banking software from a trusted institution. Users should protect their phone (it's a transaction device), use strong passwords and report a lost phone immediately to the bank. View more safety tips [here](#).

BITS launched a Mobile Special Interest Group on February 24 to discuss cutting-edge mobile financial services, security and fraud issues, and evolving regulatory requirements.

Fast Facts: MONEY MARKET FUNDS

May 20, 2011

The following information is provided by the Investment Company Institute (ICI) and their recent research report, [“Pricing of U.S. Money Market Funds.”](#)

FACT: One out of every four Americans (over the age of 18) owns a money market fund.

FACT: Individuals, municipalities, corporations, pension plans, hospitals, universities and others have over \$2.7 trillion invested in money market funds.

FACT: The vast majority of investors use money market funds specifically because the net asset value per share (NAV) is stable at \$1.00, which provides investors with simplicity, liquidity, and a market of rate of return.

FACT: To offer a stable \$1.00 NAV, money market funds must comply with the Securities and Exchange Commission’s (SEC) Rule 2a-7, which specifies standards on portfolio credit quality, readily available liquidity to meet redemption requests, diversification of issuers and guarantors of portfolio securities, and maturity of portfolio securities.

FACT: Under Rule 2a-7, money market funds must manage and price shares with an accuracy of one half of one cent (\$0.0050) of \$1.0000. If a fund’s value rises above \$1.0050 or falls below \$0.9950, the fund’s board must reprice the fund’s NAV accordingly. This is known as “breaking the buck.”

FACT: Historically, money market funds have been extremely stable. In fact, during the peak of the financial crisis in September 2008, the Reserve Primary Fund was the only registered money market fund that “broke the buck.”

- [93% of money market funds](#) were valued greater than \$0.9975 during that time.

FACT: In response to the financial crisis, in January 2010, [the SEC amended Rule 2a-7](#) to tighten the rule’s credit, maturity, and liquidity standards. The amendments also require money market funds to disclose their market-based net asset values to the SEC on a monthly basis starting January 31, 2011.

FACT: On May 10, 2011, the SEC hosted a [roundtable](#) to discuss additional changes to money market funds, including a NAV that would float above or below \$1.00.

- In a [survey of corporate money market fund users](#), 77% said they would move cash out of these funds if the NAV was changed from stable to floating.
- A floating NAV would generate taxable gains and losses with each subscription and redemption, creating a tax and accounting burden for individual investors and for institutions that use these funds on a daily basis for their working capital.

Fast Facts: OUTSTANDING TRADE AGREEMENTS

May 26, 2011

FACT: The U.S. has three outstanding trade agreements with Columbia, Panama, and South Korea from 2007.

- Failure to implement these agreements could cost the United States more than 380,000 jobs, [according to the U.S. Chamber of Commerce](#).

FACT: Advocates for implementation include:

- On March 2, 2011, [67 Republican freshmen lawmakers](#) signed a letter to President Obama urging “swift and decisive action” on pending trade agreements with South Korea, Colombia, and Panama to help create a better environment for private sector job growth in America.
- On April 1, 2011, the [New Democrat Coalition](#) signed a letter to President Obama supporting the passage of these trade agreements, saying “time is of the essence. Other nations have not hesitated to move forward aggressively on their own trade-barrier reducing treaties.”
- On April 16, 2011, [Secretary of State Hillary Clinton](#) said that concluding a long-delayed free trade agreement with South Korea was a priority for the Obama administration, and it was committed to getting the deal done this year.
- On May 4, 2011, [Ways and Means Chairman Dave Camp and Trade Subcommittee Chairman Kevin Brady](#) issued the following statement today as the Administration agreed to move forward with all three pending trade agreements: “I look forward to beginning immediately the technical discussions on these agreements so that all three can be ready for Congressional consideration by July 1.”

FACT: Every sector of the financial services industry is involved in cross-border trade. In 2009, the [financial services industry earned \\$55.4 billion](#) from exported services, including \$18.7 billion from securities services; \$18.8 billion from financial management and advisory services; and \$6.6 billion from credit card services.

FACT: The [vast majority](#) of the world’s purchasing power (73%), economic growth (87%), and consumers (95%) are *outside* of the U.S.

FACT: The U.S. is underrepresented in current trade agreements.

- There are [262 free trade agreements](#) in force around the globe today, but the United States has free trade agreements with just [17](#) countries.
- More than [100 market-opening trade agreements](#) are under negotiation worldwide. The United States is at the table in just [one](#) of these.

Fast Facts: PROPRIETARY MORTGAGE MODIFICATIONS

March 4, 2011

FACT: Since the beginning of the financial crisis, the private sector has completed nearly 9.8 million workout plans for homeowners, (Q3 2007 – Q4 2010).

FACT: In 2010 alone, the private sector completed about 1.24 million permanent proprietary loan modifications for homeowners.

FACT: Approximately 81% of proprietary mortgage modifications reduced principal and interest payments between June 2010 and December 2010.

FACT: Fixed-rate modifications (initial fixed period of 5 years or more) accounted for 84% of all proprietary modifications between June 2010 and December 2010.

FACT: Two years ago at this time, [59% of Americans](#) said government aid was necessary to stabilize the U.S. housing market, although the majority of Americans had tempered views about the extent of its impact.

- According to Gallup, 54% of Americans believed federal efforts to reduce home foreclosures would make the housing market a little better; 21% said it will make no difference; 15% thought it will make things worse; and 6% said it would make things a lot better.

FACT: One of the federal government's most visible housing programs, the Home Affordable Modification Program (HAMP), has completed nearly 580,000 mortgage modifications since its inception in 2009.

FACT: The housing system is still very [weak](#); however, the Mortgage Bankers Association reported [several positive indicators](#) in February 2011:

- Total delinquencies are at their lowest level since the end of 2008.
- Mortgages only one payment past due are now at the lowest level since the end of 2007.
- Loans three payments (90 days) or more past due have fallen from an all-time high delinquency rate of 5.02% at the end of the first quarter of 2010 to 3.63% at the end of the fourth quarter of 2010, a drop of almost 28% over the course of the year.

Fast Facts: PROPRIETARY MORTGAGE MODIFICATIONS

Part II

June 3, 2011

The following information is provided by [HOPE NOW's April 2011 Data Report](#).

FACT: The majority (53%) of proprietary mortgage modifications completed in April 2011 reduced principal and interest payments by *10% or greater*.

FACT: Over three-quarters of proprietary mortgage modifications (78%) were fixed rate modifications with an initial fixed period of 5 years or more.

FACT: Proprietary loan modifications continue to outpace government loan modifications.

- In the first quarter 2011, approximately 300,000 total modifications were completed. This includes an estimated 210,000 proprietary modifications and 90,536 HAMP modifications.

FACT: Approximately 57,000 proprietary mortgage modifications were completed in April 2011.

FACT: Foreclosure starts for April 2011 were approximately 163,000, down from 217,000 in the month of March, a decrease of 25%.

FACT: Completed foreclosure sales dropped to 73,000 for April, compared with 85,000 in March, representing a decrease of 14%.

FACT: 60+ days delinquencies remained relatively flat for the month at 2.69 million, compared to 2.63 million reported in March 2011, an increase of 2%.

[HOPE NOW](#) is an alliance between counselors, mortgage companies, investors, and other mortgage market participants to maximize outreach efforts to homeowners in distress to help them stay in their homes and create a unified, coordinated plan to reach and help as many homeowners as possible.

Fast Facts: SOCIAL MEDIA

July 8, 2011

FACT: According to the 2011 Social Media Marketing Industry Report, [more than 73% of businesses](#) plan on increasing their use of Facebook, Twitter, YouTube and blogs in 2011.

FACT: Financial services companies are active in the social media space.

- 65% of the largest financial services companies employ at least one Twitter account.
- 44% professionally maintain a Facebook page.

FACT: Use of social media presents new security issues. Phishers collect personal information from social media sites that could be used for identity theft or other forms of social engineering.

- According to a 2010 Microsoft Security Intelligence Report, phishers are [shifting from traditional sites to social networks](#) because they can reach more people.

FACT: Consumer education is necessary for using a social media site safely and securely. A recent survey finds that [one-third of social-networking adult users have never changed their passwords](#) for their accounts, and another 15 percent say it has been more than a year since they've done so.

FACT: BITS recently released [“Social Media Risks and Mitigation,”](#) a guide for social media usage, risks and mitigation strategies for enterprises. The paper approaches social media issues from a cross-department view that incorporates legal, compliance, communications, IT, human resources and marketing perspectives.

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Fast Facts: WORKPLACE BENEFITS

July 29, 2011

The following information is provided by [Unum's recent study](#): "Financial Security for Working Americans: An Economic Analysis of Insurance Products in Workplace Benefits Programs," July 2011.

FACT: Almost half of employees cite employee benefits as "an important reason why I came to work for this company."

FACT: According to the Bureau of Labor Statistics:

- 96% of all civilian workers who have access to life insurance through their employer obtain it;
- 97% of those with access to a short-term disability insurance through their employer obtain it; and
- 96% of those with access to long-term disability insurance through their employer obtain it.

FACT: Companies are improving workplace benefits, but there is still a long way to go. Only 32% of civilian wage earners are covered by group long-term disability insurance and only 60% are covered by group life insurance.

FACT: Each year, between 280,000 and 575,000 families would be spared financial catastrophe and not have to receive federal assistance payments if they were covered by disability insurance.

- This translates into government savings of \$2.25 to \$4.5 billion *per year*.

FACT: On average, for each \$1 an employee spends on disability insurance premiums, he or she will receive between \$20 and \$60 of benefits in return.

- Total premiums for employer-sponsored disability insurance (approximately 40 million employees) are approximately \$10 billion annually, while the total economic value for covered employees is between \$230 billion and \$590 billion.

FACT: On average, for each \$1 an employee spends on life insurance premiums, he or she will receive between \$60 and \$170 of benefits in return.

- Total premiums for employer-sponsored group life insurance (approximately 75 million employees and 105 million lives) are approximately \$21 billion annually, while total economic value for covered employees is between \$1.25 trillion and \$3.58 trillion annually.

On July 27, The Financial Services Roundtable, American Savings Education Council, and Aspen Institute hosted the "Protect 2011 Symposium" to discuss new research about employer sponsored benefits to employees, employers, and the taxpayer. For more information about the findings of the symposium, please contact John Doyle at doyle@fsround.org.

Part II: Auxiliary Research

The following section is a collection of impactful research about the financial services industry released during 2011.

BITS: Malware Risks and Mitigation

Executive Summary: BITS, the Financial Services Roundtable technology policy division, has published a report to assist financial institutions by promoting awareness and understanding of the risks and mitigation activities associated with the use of malware in the financial services industry. Cybercriminals have targeted financial institutions primarily because they operate software that tracks monetary assets from a pool of investors. Due to the truly difficult nature of tracing cyber attack origins, the need for preemptive protection becomes essential in safeguarding these assets.

The report observes the history of malware, illustrating its parallel evolution with the advancement of software technology. It categorizes malware infections and self-defense mechanisms in a table while also diagramming an example that dissects the process of a malware attack.

The report details the criminal organizational structure that supports malware creation and distribution and the implications this has on financial institutions. The economics of malware are utilized to demonstrate black market supply and demand for malware services and the venues where these exchanges occur.

The report lists cyber attack methods that are known to have utilized malware to damage financial services as well as the motivation that spurs an attack.

The concluding section of the report aims to showcase techniques that are meant to prevent or hinder malware attacks. Financial institutions should not over-rely on traditional antivirus software, but are instead encouraged to monitor multiple aspects of their business operations through red flag detection systems that coordinate on multiple levels of business operations.

Financial institutions can use this report to evaluate their vulnerability to attack and implement any necessary protections to ensure a sound system of governance and crisis management.

Read the full report here:

<http://www.bits.org/downloads/Publications%20Page/BITSMalwareReportJune2011.pdf>

BITS: Social Media Risks and Mitigation

June 2011

Executive Summary: This report outlines the risks, risk scenarios, and mitigation recommendations associated with social media in today's environment. While financial institutions capitalize on this new medium of communication to gain customer attention and loyalty, social media also creates new opportunities for cybercrime. The report details compliance, legal, operational and reputational threats and pairs remediation techniques a financial institution can follow to deploy a secure social media presence.

When using social media, financial institutions must comply with a breadth of regulations and laws that could include marketing of certain types of accounts, data retention requirements, employment policies, and use of payment card information. Use of social media must work within the regulatory framework and compliance standards to protect the firm.

The operational risk section of the report focuses on the protection of consumers, employees, and brands. The Identity Theft Assistance Center (ITAC) describes social media networks as a "fertile ground for criminals looking for information that can be used to commit identity theft."

Perhaps the most dangerous hazard to a company is the threat to its reputation. The report identifies key areas to monitor and identifies critical employee training techniques that should be applied to ensure safe representation of the company name.

Read the full report here:

<http://www.bits.org/downloads/Publications%20Page/BITSSocialMediaRisksandMitigationPaperJune2011.pdf>

Citibank Small Business Survey

May 4, 2011

Executive Summary: Small business owners are utilizing new marketing and networking strategies in 2011 in an attempt to enhance growth in today's market. According to the survey, social media use has greatly increased since last year, with 36% of small business owners incorporating Facebook, Twitter or LinkedIn into their marketing plans, compared to just 19% last year. 66% of respondents are likely or very likely to use a website to expand their business in 2011.

Small business owners are proving to be optimistic through the recovery with 53% describing 2011 conditions as "steady as a rock." For the remaining 2011 outlook, 81% expect the year to be better or equivalent to 2010. This improvement should be encouraging to all market participants, especially those employed or seeking employment. Nineteen percent of owners say they plan to increase their workforce within the next 12 months with 74% planning to maintain current levels.

Although outlook has improved, small business owners still show apprehension and concern about another economic downturn (83%). The increased costs of gas, energy, raw materials and inflation have made sustainable, long-term growth difficult to maintain. Understanding this, and utilizing more defensive and credit-conscious tactics, 77% of small business owners said they are prepared if another economic downturn occurs again.

Read the full report here: <http://www.citigroup.com/citi/press/2011/110504a.htm>

Harvard Business Law Review

“In Dodd-Frank’s Shadow: The Declining Competitiveness of U.S. Public Equity Markets”

March 2011

Executive Summary: As the U.S. economy attempts to pull out of the recent recession, it does so amid fears that the competitiveness of the U.S. public equity markets will prevent a full recovery and stunt any extended growth that the markets experience.

Due to recent reforms, the U.S. legal system has enacted stricter requirements that make some foreign investors hesitant to invest in U.S. companies. The perceived unfairness and unpredictability of the U.S. legal system have driven companies away from our public exchanges. In fact, 43% of surveyed executives believe the U.K. has a fairer legal process, compared to 14% for the U.S.

In 2000, U.S. primary equity markets attracted 54% of all global initial public offerings (IPOs). Today, foreign companies are much more likely to list elsewhere. Financial services CEOs have cited the regulatory costs imposed on companies who choose to list on our equity markets as the most important factor in determining the international competitiveness of the public equity markets. The Dodd-Frank Act may decrease the competitiveness of U.S. public equity markets.

Read the full report here: <http://www.hblr.org/2011/03/in-dodd-frank%e2%80%99s-shadow-the-declining-competitiveness-of-u-s-public-equity-markets/>

House Financial Services Committee Report

“One Year Later: The Consequences of the Dodd-Frank Act”

July 2011

Executive Summary: The report examines implementation of the Dodd-Frank Act, according to the principles that Treasury Secretary, Timothy Geithner, deemed necessary for successful execution. These principles include a speedy rulemaking process, agency transparency and disclosure, elimination of ineffective and outdated rules, maintaining innovation, creating level international competition, and coordinating the regulatory process.

The Dodd-Frank Act was grounded on the promise that it would terminate the possibility of a firm being “too big to fail” and ending bailouts. This report calls those promises into question. Bank consolidation has led to even larger, more interconnected firms than before the crisis. The burden on small banks is severe, with compliance costs reducing the ability for them to meet the credit needs of their communities. This further skews the competitive landscape in favor of large, complex institutions.

While the original purpose was meant to bring stability back to the economy, this report claims the Act creates overwhelming burdens on budget, tax, compliance and economic costs.

For example, the Government Accountability Office (GAO) estimated that the Dodd-Frank Act will take \$27 billion directly from the economy over the next ten years.

Read full report here:

<http://financialservices.house.gov/UploadedFiles/FinancialServices-DoddFrank-REPORT.pdf>

Morgan Stanley & Oliver Wyman Study

“The Future of Capital Markets Infrastructure”

February 2011

Executive Summary: The recent financial crisis exposed weaknesses in the ways risk is transferred through financial markets. Policymakers and regulators have worked to develop solutions that address transaction transparency, central clearing, and the use of electronic platforms for transactions. While changing regulation will benefit many by shifting revenues to different areas, the ability to evolve and adapt to the new structure will determine the ultimate success of market players in the new framework.

Key themes in the report include:

- Consolidation of exchanges will continue as top line revenues are challenged;
- Threats to incumbents are emerging as listed markets mature and margins erode, and OTC undergoes regulatory change;
- New business opportunities are presented as regulators push more risk intermediation through market infrastructure and create greater competition;
- Business model convergence and regulatory change are blurring traditional distinctions between infrastructure players;
- Uncertainty of regulatory reform remains; and
- Infrastructure developments will affect entire financial services industry.

Read full report here:

http://www.helex.gr/images/pdf/analystreports/2011/2011_02_16_ms-capital_markets.pdf

Principal Financial Well-Being Index (Q2 2011)

June 14, 2011

Executive Summary: Sixty-one percent of surveyed adults believe that achieving the American Dream—holding a good job, owning a home, living in a secure community, and sending children to a good school—will be harder to achieve in this generation than it was for their parents’ generation.

More than 63% admitted to being concerned about their long-term financial future with only 18% being able to easily visualize their financial dreams twenty years from now. The study supports the use of a financial advisor as an intermediary. For those who seek guidance from an advisor, 46% were confident in their ability to achieve their dreams for their financial future.

Retirees have begun to realize the difficulties of reaching their goals. A third of those surveyed found their retirement experience less fulfilling than they had expected, with 46% saying that retirement was more expensive than they had anticipated.

In addition to the anxiety of an uncertain future, Americans also fret over daily expenditures. Seventy-four percent of workers are extremely concerned about the rising price of fuel. Fifty-nine percent of workers and 61% of retirees, respectively, said they are concerned or extremely concerned with rising grocery and food prices. To cope with these anxieties, 35% of workers and 26% of retirees have altered their vacation plans to save money. Frugal Americans say that trip alterations are not enough, with 38% of workers considering or committed to relaxing at home instead.

Read the full report here: <http://www.principal.com/wellbeing/2011/wbi-2q2011.pdf>

U.S. Bank, Small Business Annual Survey 2011

June 22, 2011

Executive Summary: The 2011 Small Business Annual Survey shows evidence that small business owners believe the economy is improving, but the effects of the recession are lingering. Eight-five percent of those who believe we are currently in a recession project that we will be in a recession next year too.

A greater number of small businesses are showing signs of improvement, but economic uncertainty remains the greatest problem for continued business growth. Sixty-four percent of respondents have reported an equal or higher revenue intake than last year, while only forty-nine percent expect these revenues to be higher next year.

Small business owners have increasingly been using technology for communication and networking capabilities, with 74% of respondents employing a Facebook account. Email remains the most essential tool for conducting efficient business (69%), but newer devices are beginning to take shape in the business world such as the Smartphone (26%).

Banks are continuing to focus on small business objectives. Forty-three percent of small business owners view banks as helpful to their business, increasing from only 36% in 2010. Small business owners wish that their bank could adjust to meet their individual needs or to serve as a business partner. However, 32% of respondents say their bank provides them with everything they need.

Read full report here: <http://www.fsround.org/hyperlink/2011SmallBusinessAnnualSurvey.pdf>

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