



FAST FACTS

2012: Part 1

Research You Can Use

THE FINANCIAL SERVICES ROUNDTABLE
Financing America's Economy



Note from The Financial Services Roundtable

Fast Facts provides easy-to-understand, reliable research about current issues facing the financial services industry.

For the last 80 weeks, the Roundtable has delivered “Fast Facts” to select opinion leaders in the financial services, legislative, regulatory, and media spheres. This book is a compilation of the Fast Facts issued from July 2011 through January 2012.

If you have comments about any of the content in Fast Facts, suggestions for future topics, or would like to be added to the distribution list, please contact Abby at Abby@fsround.org.

Best regards,

Steve Bartlett
President and CEO

Scott Talbott
Senior Vice President of Government Affairs

Abby McCloskey
Director of Research

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Section 1: State of Financial Services

Over the last six months, the financial services industry has grown safer and stronger. Financial institutions now maintain the highest capital levels in history. Strong underwriting standards have replaced “no-doc loans” and “exotic mortgages.” Insurers remained solvent throughout a decade with record catastrophes. And executive compensation practices have been significantly reformed. How the mortgage overhang is dealt with remains the biggest question going forward.

Fast Facts: CAPITAL

January 6, 2012

FACT: U.S. financial institutions emerged from the global financial crisis with more than \$1.5 trillion in capital, [the highest capital levels in history](#).

FACT: Over the past four years, U.S. banks over \$10 billion in assets increased Tier 1 capital from \$574 billion to \$858 billion – a 50% increase in capital – according to the FDIC.

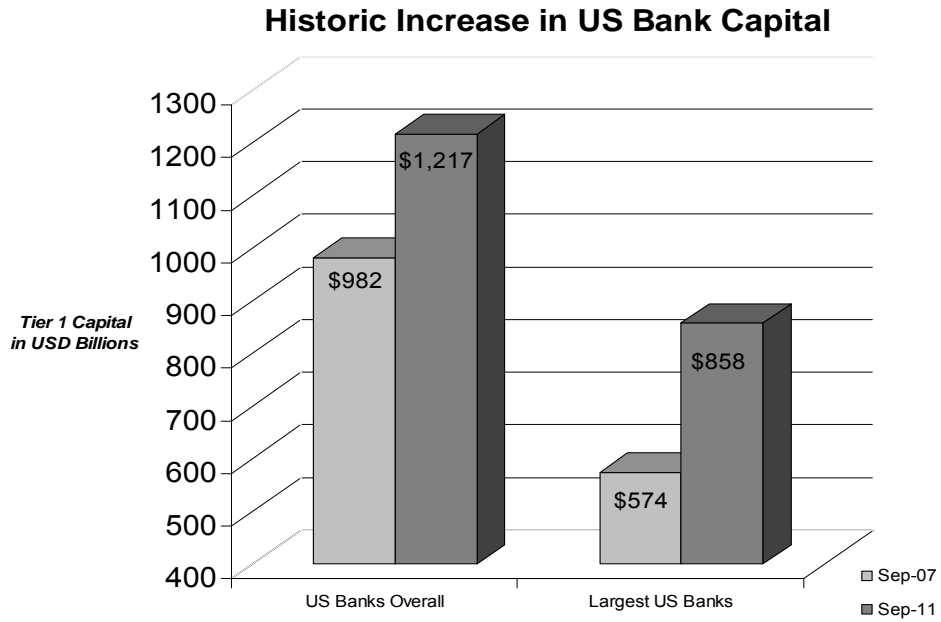
- Tier 1 is considered the “safest” form of capital for a bank to have on its books

FACT: By the end of 2010, the average Tier 1 ratio for the largest 18 U.S. banks was 12.2%. This is well above previous supervisory benchmarks, according to the Federal Reserve of San Francisco.

FACT: According to a September 2011 study by The Clearing House Association, capital levels are now such that if the 2008 financial crisis happened again, banks would not fail from lack of capital.

- The study, called “How Much Capital Is Enough?” analyzed capital levels of 123 large global banks over the financial crisis period.
- It concluded that NO bank that would have met Basel III’s 7% Tier 1 common equity requirement (1) went bankrupt, (2) was taken over by the government, (3) was forced into a distressed takeover by another bank, or (4) received government assistance greater than 30% of its Tier 1 capital.

Context: Capital is defined loosely as a bank’s assets minus liabilities, and it is critical to the safety and soundness of the financial system. Banks improve their capital ratios by growing equity, increasing Treasury holdings and cash, and reducing the riskiness of other assets. Strong capitalization levels ensure that financial institutions can withstand economic downturns and other challenges such as the tumultuous fiscal situation in Europe.



Source: FDIC SDI Data

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: EXECUTIVE COMPENSATION

December 16, 2011

Changes Made Post-Crisis

FACT: 100% of surveyed Roundtable companies reported that their executive compensation practices had been significantly reformed since 2008, according to a 2011 Financial Services Roundtable membership survey.

FACT: Every single surveyed Roundtable company reported that they had a compensation committee at the Board level.

FACT: Surveyed companies reported many other executive compensation reforms they had undertaken over the last three years, all without legislative or regulatory requirement, including:

- **Instituting maximum payout caps** (87% of companies)
- **Having claw back provisions in place** (83% of companies)
- **Improving risk management** (77% of companies)
- **Introducing new performance metrics** (69% of companies)
- **Restricting stock awards** (52% of companies)
- **Instituting new performance reviews** (45% of companies)
- **Creating stock holding requirements** (41% of companies)
- **Developing new bonus formulas** (38% of companies)
- **Increasing base salary and linked performance to stock** (31% of companies)

FACT: [The Federal Reserve released its horizontal review of incentive compensation practices](#) in October 2011, as mandated by the Dodd-Frank Act. The Federal Reserve concluded that large banking organizations have indeed made *significant progress* toward enhancing their incentive compensation arrangements.

FACT: In its study, [the Federal Reserve concluded that:](#)

- The largest banks are already at or above Dodd-Frank proposed guidelines for executive compensation (to defer 50% for 3 years);
- Senior executives have more than 60% of their incentive compensation deferred on average;
- Some of the most senior executives have more than 80% deferred;
- Deferral periods generally range from three to five years, with three years the most common.

Fast Facts: GLOBAL COMPETIVENESS

Part I

November 4, 2011

Largest 10 Banks in the World

(Includes bank holding companies)

Rank	Bank	Country	Assets (\$b)	Date
1	BNP Paribas	France	2,792.10	6/30/11
2	HSBC Holdings	UK	2,690.90	6/30/11
3	Deutsche Bank	Germany	2,681.30	6/30/11
4	Mitsubishi UFJ Financial Group	Japan	2,479.50	3/30/11
5	Barclays PLC	UK	2,395.30	6/30/11
6	Royal Bank of Scotland Group	UK	2,319.90	6/30/11
7	Industrial & Commercial Bank of China	China	2,304.40	6/30/11
8	Bank of America	US	2,264.40	6/30/11
9	JPMorgan Chase	US	2,246.80	6/30/11
10	Credit Agricole SA	France	2,236.80	3/30/11

*Most current data available
 Global Finance, 2011 Data
 Banks around the World, 2011 Data*

FACT: Of the largest 5 banks in the world, **none** are based in the United States.

FACT: Of the largest 10 banks in the world, **two** are based in the United States, (Bank of America, JP Morgan Chase).

FACT: Of the largest 50 banks in the world, **five** are based in the United States, (JP Morgan Chase, Bank of America, Citigroup, Wells Fargo, Morgan Stanley).

FACT: Of the \$65 trillion in assets held by the largest 50 banks worldwide, U.S. banks hold 13% of assets. Europe and Asia hold 56% and 24%, respectively. **FACT:** An international banking presence is necessary to provide financing to U.S.-based multinational corporations. If U.S. banks continue to lose competitiveness, our nation's largest companies will have to seek financing from abroad.

Largest 50 Banks in the World
(Includes bank holding companies)

Rank	Bank	Country	Assets (\$b)	Date
1	BNP Paribas	France	2,792.10	6/30/11
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6	Royal Bank of Scotland Group	UK	2,319.90	6/30/11
7	Industrial & Commercial Bank of China	China	2,304.40	6/30/11
8	Bank of America	US	2,264.40	6/30/11
9	JPMorgan Chase	US	2,246.80	6/30/11
10	Credit Agricole SA	France	2,236.80	3/30/11
11	Citigroup	US	1,956.60	6/30/11
12	Mizuho Financial Group	Japan	1,942.60	6/30/11
13	China Construction Bank	China	1,818.40	6/30/11
14	ING Group	Netherlands	1,798.60	6/30/11
15	Banco Santander	Spain	1,785.80	6/30/11
16	Bank of China	China	1,776.47	6/30/11

17	Agricultural Bank of China	China	1,773.11	6/30/11
18	Sumitomo Mitsui Financial Group	Japan	1,652.82	6/30/11
19	Societe Generale	France	1,590.72	6/30/11
20	Lloyds Banking Group	UK	1,570.59	6/30/11
21	Groupe BPCE	France	1,532.53	6/30/11
22	UBS	Switzerland	1,469.46	6/30/11
23	UniCredit S.p.A.	Italy	1,331.88	6/30/11
24	Wells Fargo	US	1,259.73	6/30/11
25	Credit Suisse Group	Switzerland	1,160.72	6/30/11
26	Commerzbank	Germany	991.09	6/30/11
27	Rabobank Group	Netherlands	963.91	6/30/11
28	Intesa Sanpaolo	Italy	934.58	6/30/11
29	Nordea Bank	Sweden	859.85	6/30/11
30	Norinchukin Bank	Japan	839.80	6/30/11
31	Morgan Stanley	US	830.75	6/30/11
32	BBVA (Banco Bilbao Vizcaya Argentaria)	Spain	824.39	6/30/11
33	China Development Bank	China	775.20	12/31/10
34	Royal Bank of Canada	Canada	765.40	7/31/11
35	Dexia	Belgium	750.52	6/30/11
36	National Australia Bank	Australia	708.36	3/31/11
37	TD Bank Group	Canada	696.50	7/31/11

38	Natixis	France	656.67	6/30/11
39	Westpac Banking Corporation	Australia	598.65	12/31/10
40	Bank of Communications	China	596.66	12/31/10
41	KfW	Germany	590.27	12/31/10
42	Danske Bank	Denmark	572.55	12/31/10
43	Scotiabank (Bank of Nova Scotia)	Canada	516.94	12/31/10
44	Standard Chartered	UK	516.54	12/31/10
45	Australia & New Zealand Banking Group (ANZ)	Australia	514.86	9/30/10
46	DZ Bank	Germany	512.38	12/31/10
47	ABN Amro	Netherlands	509.25	12/31/10
48	Banque Fédérative du Crédit Mutuel (BFCM)	France	501.42	12/31/10
49	Landesbank Baden-Württemberg (LBBW)	Germany	500.29	12/31/10
50	Banco do Brasil	Brazil	481.18	12/31/10

Total Assets: \$ 65,866.40 Billion

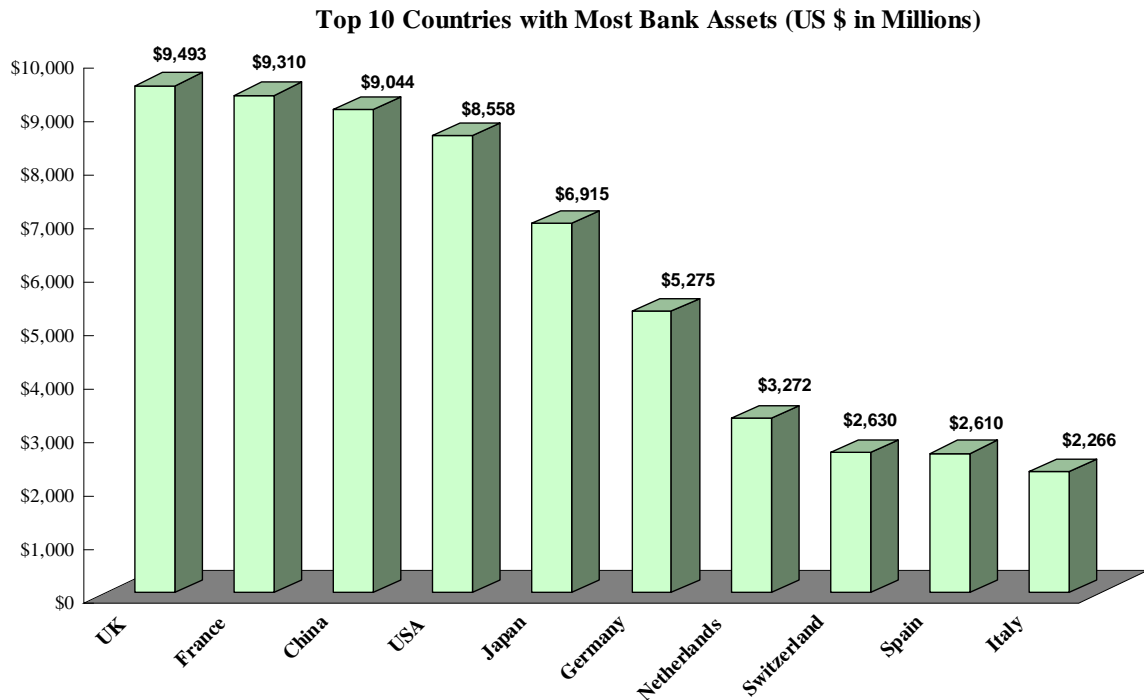
*Most current data available
 Global Finance, 2011 Data
 Banks around the World, 2011 Data*

Fast Facts: GLOBAL COMPETITIVENESS

Part II

November 10, 2011

FACT: The U.K., France, and China have a larger concentration of banking assets than the United States.



Includes bank holding companies
Source: [Global Finance, 2011 Data](#)
[Banks around the World, 2011 Data](#)

FACT: Many have suggested that excessive regulation will only accelerate the decline of global competitiveness for U.S. banks:

- “The new regulatory environment has the potential to hasten rather than reverse the long-term competitive decline of the U.S. financial services sector, vis-à-vis our international competitors,” **Barry Zubrow, Chief Risk Officer of JP Morgan Chase.**

- “No other industrialized countries in Europe or around the world plan to enact provisions that parallel the U.S. restrictions...the U.S. banking entities could lose business to their competitors in Europe and elsewhere.” **Government Accountability Office.**
- “There are large and growing differences in the pace and scope of regulatory reform efforts in the U.S. and other jurisdictions. They put the U.S. financial markets at a disadvantage by driving up costs and reducing liquidity.” **Stephen O'Connor, Managing Director of Morgan Stanley.**
- “If some countries do not adopt the same high standards and enforce them with the same rigor, we could wind up with an unlevel playing field that gives an advantage to firms in countries with less stringent standards.” **John Walsh, Former Acting Comptroller of the Currency.**
- “If trading in the U.S. is more expensive, even for a year, participants may shift trading abroad in order to incur lower costs and once trading has moved abroad it will be difficult to get back.” **Professor Hal S. Scott, Director of the Program on International Financial Systems at Harvard Law.**
- “The differences between <G20 commitments and the Dodd-Frank Act> in their emphasis on nonbanks could alter the competitive landscape for U.S. nonbank financial firms relative to their foreign counterparts.” **Daniel E. Nolle, Federal Reserve.**
- “The return gap between growing markets and markets where growth will remain sluggish stands to widen over the coming decade. Asian banks in particular are likely to achieve annual revenue growth of around 10% over the next decade – double the rate of developed markets. **McKinsey & Company.**

Fast Facts: INSURER SOLVENCY

January 20, 2012

FACT: The property/casualty insurance industry remained solvent and strong throughout a decade (2001-2010) that contained [7 of the 10 most costly catastrophes in the United States](#), such as Hurricane Katrina, Hurricane Ike, and the terrorist attacks of September 11, 2001.

- The industry maintained its strength during 2011, which saw record [tornado and thunderstorm losses in excess of \\$25 billion](#), including the events that devastated Tuscaloosa, Alabama and Joplin, Missouri.

FACT: One measure of insurer strength is the policyholders' surplus, which is the difference between an insurer's assets and liabilities and is used to determine an insurer's capacity to underwrite risks. As of September 2011, the property/casualty insurance industry had a policyholders' surplus of \$538.6 billion. This is more than enough to cover [125 times the insured U.S. property losses from Hurricane Irene](#).

FACT: During the last decade, U.S. life insurers increased their policy reserves [by more than 50%](#). Life insurance companies currently have over \$4 trillion in policy reserves.

FACT: [As an extra safeguard](#) for unexpected contingencies, life insurers also carry surplus funds and capital stock, which amounted to \$319 billion at the end of 2010, 6% higher than 2009 levels.

FACT: Despite the large international catastrophe losses of 2011 (wherein private reinsurers paid out more than \$100 billion in claims), the reinsurance industry ended the year with nearly half a trillion dollars of capital on hand, as well as contingent capital resources.

- The reinsurance sector supplements the primary insurance industry. For example, international private reinsurers [paid more than 60%](#) of the insured losses arising out of the World Trade Center disaster and [more than 60%](#) of the insured losses from Hurricanes Katrina, Rita and Wilma in 2005.

FACT: The strength of the insurance industry is critical to the U.S. economy and global competitiveness. On aggregate, the industry:

- Employs over [2 million Americans](#);
- Contributes over [\\$400 billion to the nation's GDP](#);
- Invests billions of dollars of premiums into [state and local public projects](#), such as schools and roads;
- Provides [trillions of dollars to U.S. capital markets](#), including \$1.5 trillion in corporate stock holdings, \$4 trillion in credit market assets, and \$2 trillion in corporate bonds.

THE TEN MOST COSTLY CATASTROPHIES, UNITED STATES
(\$ millions)

Rank	Date	Peril	Insured property losses	
			Dollars when occurred	In 2010 dollars (2)
4	Jan. 1994	Northridge, CA earthquake	12,500	17,318
6	Oct. 2005	Hurricane Wilma	10,300	11,398
10	Sep. 2005	Hurricane Rita	5,627	6,227
1	Aug. 2005	Hurricane Katrina	\$41,100	\$45,481
8	Sep. 2004	Hurricane Ivan	7,110	8,130
5	Sep. 2008	Hurricane Ike	12,500	12,735
9	Sep. 1989	Hurricane Hugo	4,195	6,678
7	Aug. 2004	Hurricane Charley	7,475	8,548
3	Aug. 1992	Hurricane Andrew	15,500	22,412
2	Sep. 2001	Fire, Explosion: World Trade Center, Pentagon terrorist attacks		

Fast Facts: MORTGAGE OVERHANG

Part I: What is it? Where is it?

September 16, 2011

The following information is provided by Moody's Analytics, HOPE NOW, and the Mortgage Bankers Association.

FACT: There have been many improvements in the housing sector since the financial crisis:

- The industry has completed nearly 5 million permanent mortgage modifications for homeowners since 2007 according to HOPE NOW;
- During 2011, four of five modifications substantially lowered monthly principal and interest payments and included a fixed interest rate for 5 years or more according to HOPE NOW;
- Early stage delinquencies are down 30% from 2009, according to Moody's data suggesting that the worst of the housing bust is past;
- Non-distressed housing prices are stabilizing according to the Mortgage Bankers Association;
- More than 90% of Americans are current on their mortgages according to Moody's data.

FACT: However, there remains a "mortgage overhang" of roughly 6 million mortgages that are severely delinquent (120+ days), foreclosed, real-estate owned, and/or vacant properties.

FACT: The mortgage overhang continues despite the historic amount of mortgage modifications and assistance to the housing sector, and it has stayed roughly the same size over the last several years.

FACT: The mortgage overhang is regionally concentrated. [One-third of all foreclosed homes in the U.S. are concentrated in just two states](#) according to the Mortgage Bankers Association: 25% are in Florida and 10.6% are in California. If one adds in New Jersey (5%), New York (5%), Illinois (5%), over fifty percent of foreclosures are accounted for in these five states. REOs follow similar concentration patterns.

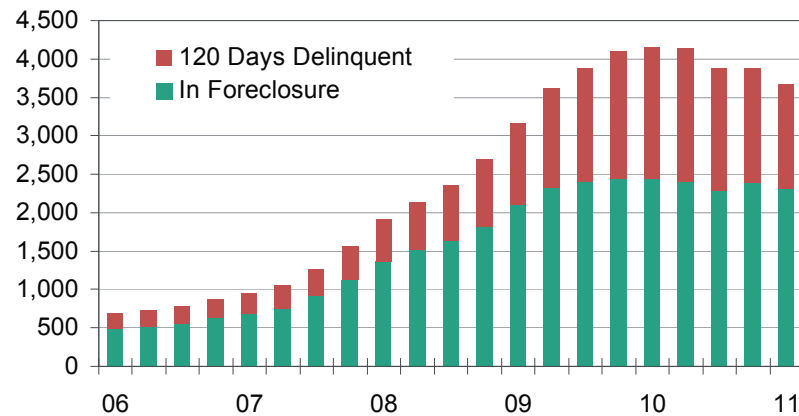
FACT: Moody's estimates that it will take until about 2015 for the majority of severe delinquencies and foreclosures to work their way through the system and return to 2007 levels, given the current rates of supply and demand. [In separate analysis](#), Moody's

estimates that it will take two full years to work off the excess inventory of vacant houses, given current levels of supply and demand.

FACT: [The mortgage overhang has a significant impact on housing prices and the economy](#), which will be described in Part II next week.

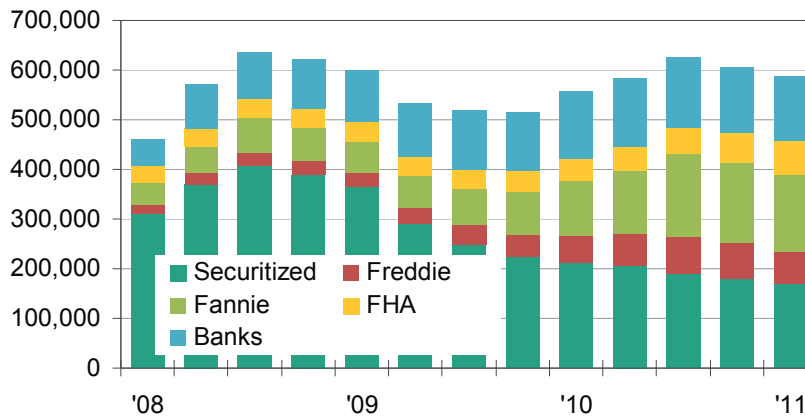
Mortgage Overhang

First mortgage loans, Tns



Sources: Equifax, Moody's Analytics

+ REO Inventory



Sources: Fannie, Freddie, FHA, FDIC, Moody's Analytics

Fast Facts: MORTGAGE OVERHANG

September 23, 2011

Part II – How does it impact the economy?

FACT: The mortgage overhang [see Part I] has been a large reason that the housing sector is struggling to recover, despite historic modification and refinancing efforts by the industry and government.

FACT: [Moody's Analytics](#) estimates that falling housing prices will reduce GDP by 0.5% this year alone.

FACT: According to [Moody's recent study](#), falling housing prices mean:

- Less collateral for small business owners;
- Less tax revenue for local governments because property tax revenues decline; and,
- More homeowners go under water as their loans exceed the market values of their houses.

FACT: On September 16, 2011, the Housing Policy Council of The Financial Services Roundtable (HPC) made the following recommendations to the FHFA, Treasury Department and HUD in response to the request for ideas on reducing the Real Estate Owned (REO) properties of the GSEs and FHA:

- REO properties should be sold in a timely fashion, and in significant blocks based on local market conditions.
- Purchasers of the REO properties should have the flexibility to sell, rent, or demolish if necessary to enable the local real estate market to begin to recover.
- Additionally, these properties need to be sold “free and clear” to purchasers. It is important that Fannie Mae, Freddie Mac or FHA do not remain landlords in the REO process.

The full letter from HPC can be found online at:
http://www.fsround.org/fsr/policy_issues/regulatory/other.asp

Fast Facts: S&P and MARKET REACTIONS

August 9, 2011

Standard & Poor's rating agency lowered the long-term rating of the U.S. government and federal agencies from AAA to AA+ with a negative outlook after the markets closed on Friday, August 5, 2011. Standard & Poor's [provided the following reasons](#) for the downgrade:

- **The fiscal consolidation plan that Congress and the Administration agreed to falls short;**
- **American policymaking has weakened at a time of ongoing fiscal and economic challenges; and**
- **Pessimism about the capacity of Congress and the Administration to reach a broader fiscal consolidation plan.**

Below are a series of statements that are in sharp contrast to the market's reaction to S&P.

President Obama. Remarks on S&P Downgrade. August 8, 2011

- "Markets will rise and fall, but this is the United States of America. No matter what some agency may say, we've always been and always will be a AAA country. For all of the challenges we face, we continue to have the best universities, some of the most productive workers, the most innovative companies, the most adventurous entrepreneurs on Earth. What sets us apart is that we've always not just had the capacity, but also the will to act — the determination to shape our future; the willingness in our democracy to work out our differences in a sensible way and to move forward, not just for this generation but for the next generation."

Treasury Secretary Timothy Geithner. August 5, 2011.

- "S&P has shown really terrible judgment and they've handled themselves very poorly... And they've shown a stunning lack of knowledge about basic U.S. fiscal budget math. And I think they drew exactly the wrong conclusion from this budget agreement."

Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, National Credit Union Administration, Office of the Comptroller of the Currency. Joint Release. August 5, 2011.

- "For risk-based capital purposes, the risk weights for Treasury securities and other securities issued or guaranteed by the U.S. government, government agencies, and government-sponsored entities will not change. The treatment

of Treasury securities and other securities issued or guaranteed by the U.S. government, government agencies, and government-sponsored entities under other federal banking agency regulations, including, for example, the Federal Reserve Board's Regulation W, will also be unaffected.”

National Association of Insurance Commissioners (NAIC) President and Iowa Insurance Commissioner Susan E. Voss, August 7, 2011.

- “There is no impact on insurer investments in U.S. government and government-related securities from the actions recently taken by the rating agencies. Risk-based capital and asset valuation reserves are unaffected. State insurance regulators and the NAIC will consider changes to our regulatory treatment if it becomes necessary in the future.”

Information Insurance Institute President, Dr. Robert Hartwig, August 8, 2011.

- “The nation’s property/casualty insurers have very limited direct exposure to the U.S. government bond market and have collectively set aside hundreds of billions of dollars to pay unanticipated claims,” Dr. Robert Hartwig said. “Both of these factors will enable the industry to operate effectively despite the recent downgrade of long-term U.S. bonds.” Consequently, Hartwig added, “Existing policyholders, people and businesses filing claims and those seeking to purchase insurance will not experience any difficulties arising from the downgrade.”

Moody’s affirmed the Aaa rating last week, and released a statement about the key drivers of our confirmation of the US’ Aaa rating. August 8, 2011.

- “The US retains its Aaa because of the diversity and size of the US economy, a long record of solid economic growth, and the global role of the dollar and the unmatched access to financing it provides, our report explains. Last week’s passage of a Budget Control Act was a positive step toward deficit reduction, but more will be required to reverse the upward trend in US debt ratios; hence, we assigned a negative outlook to the rating...”

Fitch affirmed Aaa rating last week. They have not changed their position. August 2, 2011.

- Fitch Ratings says that, as it expected, agreement was reached on an increase in the United States' debt ceiling and, commensurate with its 'AAA' rating, the risk of sovereign default remains extremely low.

Treasury Acting Assistant Secretary for Economic Policy, John Bellows, Just the Facts: S&P's \$2 Trillion Mistake. August 6, 2011.

- “In a document provided to Treasury on Friday afternoon, Standard and Poor’s (S&P) presented a judgment about the credit rating of the U.S. that was based on a \$2 trillion mistake. After Treasury pointed out this error – a basic math error of significant consequence – S&P still chose to proceed with their flawed judgment by simply changing their principal rationale for their credit rating decision from an economic one to a political one....Independent of

this error, there is no justifiable rationale for downgrading the debt of the United States. There are millions of investors around the globe that trade Treasury securities. They assess our creditworthiness every minute of every day, and their collective judgment is that the U.S. has the means and political will to make good on its obligations. The magnitude of this mistake – and the haste with which S&P changed its principal rationale for action when presented with this error – raise fundamental questions about the credibility and integrity of S&P's ratings action.”

Steve Forbes, President and CEO, Forbes

- "Well, I think in a narrow sense, it is a political move, and I think it's really - it'll sound strange for me to say it, an outrageous move."

Bill Miller, Chairman and Chief Investment Officer, Legg Mason

- "The downgrading by Standard & Poor's ... was precipitous, wrong, and dangerous. At best, S&P showed a stunning ignorance and complete disregard for the potential consequences of its actions on a fragile global financial system. ... It is totally unacceptable that privately-owned, for-profit companies should have special, legally sanctioned status at the heart of the financial system to function as quasi-regulatory authorities."

Mark Feinberg, Feinberg Capital Advisors

- "Our view is while the markets may react negatively to the news of the downgrade and other global overhangs the reality is the US remains one of the safest and potentially rewarding investing options."

Tom Donohue, President and CEO, U.S. Chamber

- "While we don't agree with S&P's decision to downgrade America's credit rating, its action should be another powerful incentive for lawmakers to do the hard work necessary to get our fiscal house in order."

Larry Summers, Previous Director of National Economic Council

- "S&P's track record has been terrible and as we've seen this weekend its arithmetic is worse. So there's nothing good to say about what they've done."

Insurance Information Institute, August 8, 2011

- "Investment income is a comparatively small part of P/C insurer revenues when compared to the monies these insurers generate via premiums. Policyholder premiums paid to P/C insurers have totaled anywhere from \$425 billion to \$450 billion each year since 2003, with net investment gains ranging from \$31 billion to \$64 billion annually within this same time frame. A very small fraction of the net investment gains for P/C insurers come in the form of U.S. government bond income. And despite the downgrade all interest due will be paid by the U.S. government....P/C insurers would still have the assets they needed to cover all of their liabilities plus a "cushion" for unexpected

claims equal to \$500 billion, the rough equivalent of 12 Hurricane Katrinas, the costliest natural disaster in U.S. history.”

Fast Facts: STRESS TESTS

January 13, 2012

CRUX OF THE TEST: In November 2011, the Federal Reserve asked 31 U.S. banks (over \$50 billion in assets) [to test their capital levels against an economic scenario](#) even worse than the 2008 recession. The Fed's stress scenario was designed to test the resilience of the financial services industry and give markets peace of mind about how much economic pressure banks could withstand while maintaining adequate capital buffers.

On January 9, 2012, banks were required to submit the results of their stress tests to the Federal Reserve.

FACT: The Federal Reserve's stress test required banks to test their capital levels against the following [adverse scenario](#):

- GDP growth drops to negative 8% in Q1 2012.
- The Dow drops to 5,700 in Q4 2012.
- The unemployment rate jumps to 13% in 2013.
- Commercial real estate drops by 23% by 2013.
- Housing prices fall by 20% by 2014.
- Europe goes into a recession and growth in Asia dramatically slows.

FACT: The scenario is highly unlikely. For example:

- [The unemployment rate has never gone over 11%](#) (let alone reach 13%) since the Great Depression.
- [The lowest monthly Dow close during the most recent recession was 7,062 \(February 2009\).](#)
- [GDP has dropped by 8% or more only two times since 1947:](#) Q4 2008 (-8.9%) and Q1 1958 (-10.4%).

FACT: And the scenario, if it ever occurred, would be catastrophic for nearly everyone. Moody Analytics projects that if it came true:

- By end of 2012, 4.5 million additional jobs would be lost, compared to Moody's baseline forecast;
- By mid-2013, national debt will have increased by an additional \$1 trillion over the baseline;
- By the end of 2012, retail sales would be down 10%. In particular, car sales would drop off by 5 million or 33% lower than projected sales.

FACT: The Federal Reserve makes it very clear it is ONLY A TEST. The stress scenario is: (1) not a forecast or projection for the U.S. economy; (2) nor does it take into account any actions a bank could take to mitigate a crisis.

FACT: The results of the stress test will be one of the factors supervisors use to determine companies' capacity to pay dividends and other capital distributions. The Federal Reserve is scheduled to publish the results in April.

Section 2: Economic Impact of Rules

While nearly everyone agrees that regulatory reform was needed, the volume of new rules mandated by the Dodd-Frank Act is generating uncertainty within the financial services industry and financial markets. The law firm of Davis Polk reports that DFA calls for no less than 385 new rules to be implemented in three years. Many of these rules will dramatically alter the ways financial services firms and other companies do business and the ways in which the U.S. economy functions. As the federal financial regulatory agencies implement these new rules, it is critically important that they consider these cumulative effects on the economy.

Fast Facts: CUMULATIVE WEIGHT

Cost for Financial Services

August 19, 2011

Many studies claim that the cumulative weight of new rules will increase the cost of basic financial services. Quantitative estimates include:

- **Require 2,260,631 labor hours per year for compliance;**
 - **Reduce earnings by roughly \$20 billion annually for largest banks;**
 - **Increase compliance costs for small property-casualty insurance companies by 36%**
 - **Cost \$1.8 billion in technology requirements alone; and**
 - **Cost \$5 to \$10 million per company per year to meet trading guidelines.**
- “The breadth of Dodd-Frank makes it increasingly important that policymakers stay mindful of the costs and effects that the regulation in its totality will have on our markets. The costs of Dodd-Frank will be enormous, and we will have no idea of the actual total costs for years to come. Given prior experience, such as original estimates about the cost of Sarbanes Oxley, those actual costs will prove substantially more significant than legislators and regulators predicted.” **SEC Commissioner, Kathleen Casey**, [Speech: Regulatory Implementation and Implications of Dodd-Frank](#), January 2011.
 - “A survey of the Federal Register shows that complying with these new rules will require an estimated 2,260,631 labor hours every year. To put this number in perspective, to meet the burden of only 10% of the new rules required by the Dodd-Frank Act, it will take 56,516 work weeks devoted solely to this administrative burden, or more than 1,100 work years. If 1,000 Americans worked full time all year, every year, with no vacations or holidays, they would still be unable to complete all the work that the rules require.” **House Financial Services Committee**, [One Year Later: The Consequences of the Dodd-Frank Act. Authored by Chairman Spencer Bachus and Vice-Chairman Jeb Hensarling. July 2011](#)
 - “In the first year these three rules (capital plans, stress tests and resolution plans) are implemented, the industry will need to spend 2,249,884 hours to comply with regulations. The estimated annual cost for the industry in the second year of these regulations and beyond is 759,604 hours. If we estimate that these employees earn

\$75,000 annually, this will impose an industry-wide annual cost of \$84,375,000.” **The Financial Services Roundtable**, [Hourly Analysis for Three of the Dodd-Frank Act Rulemakings](#). July 2011.

- “We estimate that the effects of Dodd-Frank will likely lead to a reduction in aggregate pretax earnings at the eight large, complex U.S. banks by roughly \$19.5 billion to \$22.0 billion annually before offsets, based on our projections for 2010 business activity. This loss represents roughly 18% to 21% of our forecast of 2010 complex-bank adjusted pretax earnings... The full impact on earnings from the Dodd-Frank legislation will likely be realized in 2012-2013.” **Standard & Poors Report**, [What Financial Reform Could Cost The Largest U.S. Banks](#). November 2010
- “Smaller <property and casualty insurance> companies continue to face the most significant challenges due to increased regulatory requirements – from 2008 to 2010, the cost of compliance grew 36 percent for small companies and 14 percent for large companies. **Andrew Furgatch, Chairman of the Board at Magna Carta Insurance Companies**, [Testimony before the House Financial Services Committee](#), July 2011.
- “CBO estimates that the cost of the mandates on private-sector entities would significantly exceed the annual threshold established in UMRA for such mandates (\$141 million in 2010, adjusted annually for inflation) because the amount of fees collected would be more than that amount.” **Congressional Budget Office**, [Review of CBO's Cost Estimate for the Dodd-Frank Wall Street Reform and Consumer Protection Act](#). June 2010
- “To the extent that firms are then obliged to make changes to the business—to simplify structures, develop new IT and reporting, or to put in place additional assured sources of liquidity or capital, this will involve significant additional costs, including higher tax burdens, on the institutions concerned.” **Institute for International Finance**, [Interim Report on the Cumulative Impact on the Global Economy of Proposed Changes in the Banking Regulatory Framework](#). June 2010
- “Past episodes such as the passage of the Sarbanes-Oxley legislation suggest that these can be substantially larger than anticipated. SOX compliance for one provision of the Act was estimated at under \$100,000; the reality for most firms is easily 10 to 40 times greater.” **Dr. Douglas Holtz-Eakin, President, American Action Forum**, [Testimony at the House Financial Services Hearing: "The Costs of Implementing the Dodd-Frank Act: Budgetary and Economic."](#) March 30, 2011
- “One study by Foley and Lardner found that the average cost of being public for a firm with less than \$1 billion in revenue jumped from \$1.05 million before Sarbanes-Oxley to \$2.88 million by 2005 – a 171% increase.” **Dr. James J. Angel, Associate Professor of Finance, McDonough School of Business, Georgetown**

University, [Testimony at the House Financial Services Hearing: "The Costs of Implementing the Dodd-Frank Act: Budgetary and Economic."](#) March 30, 2011

- “Historically, the cost of regulatory compliance as a share of operating expenses is two and a half times greater for small banks than for large banks.” **Albert C. Kelly Jr., American Bankers Association, [Testimony at the House Subcommittee on Financial Institutions and Consumer Credit: "The Effect of Dodd-Frank on Small Financial Institutions and Small Businesses."](#) March 2, 2011**
- “The caps on debit-card transaction fees alone may cost the Minneapolis-based bank \$400 million in annual revenue.” **Richard Davis, President and CEO, U.S. Bank, [U.S. Bancorp Says Regulations May Cost More than \\$1 Billion.](#) June 2011**
- “At this juncture we believe that initial compliance with the Proposed Regulations will cost each such entity approximately \$5-10 million.” **International Swaps and Derivatives Association, [Letter filed February 28, 2011 in response to the notice of proposed rulemaking: "Confirmation, Portfolio Reconciliation, and Portfolio Compression Requirements for Swap Dealers and Major Swap Participants."](#) 75 FR 81519. February 2011**
- “The capital need is equivalent to almost 60 percent of all European and US Tier 1 capital outstanding, and the liquidity gap equivalent to roughly 50 percent of all outstanding short-term liquidity. Closing these gaps will have a substantial impact on profitability.” **McKinsey Report, [Basel III and European banking: Its impact, how banks might respond, and the challenges of implementation.](#) November 2010**
- “At that meeting, the Commission was presented with a \$1.8 billion cost estimate to implement compliance with information technology requirements necessitated under Dodd-Frank, for the top 15 large dealers.” **Office of the Inspector General, [An Investigation Regarding Cost-Benefit Analyses Performed by the Commodity Futures Trading Commission in Connection with Rulemakings Undertaken Pursuant to the Dodd-Frank Act.](#) April 2011**
- “My view is that we are in danger of trying to squeeze too much risk and complexity out of banking as we institute reforms to address problems and abuses stemming from the last crisis.” **John Walsh, Acting Comptroller of the Currency, [Warning on Bank Rules Reform.](#) June 2011**
- “At any given time, we at JPMorgan Chase have 75-135 on-site, full-time examiners from the OCC, Federal Reserve and FDIC; the U.K. FSA and other regulators have still more examiners overseeing our overseas operations. We underwent 218 examinations in 2010, and will see more this year. It is difficult to overstate the increase in supervisory oversight for large financial firms.” **Mr. Barry L. Zubrow, Executive Vice President and Chief Risk Officer, JPMorgan Chase & Co.,**

[Testimony at the House Financial Services Hearing: "Financial Regulatory Reform: The International Context." June 2011](#)

- “Citigroup will have to divest its interest in various hedge funds, such as its Mortgage/Credit Opportunity Fund, which climbed 16% in the first four months of 2011, almost doubling its pace last year. About 90% of the \$395 million invested in the fund is the bank’s own capital.” **Professor Hal S. Scott, Director of the Committee on Capital Markets Regulation, Nomura Professor and Director of the Program on International Financial Systems at Harvard Law School,** [Testimony at the House Financial Services Hearing: "Financial Regulatory Reform: The International Context." June 2011](#)
- Small business comments as collected by the **House Financial Services Committee**, [One Year Later: The Consequences of the Dodd-Frank Act. Authored by Chairman Spencer Bachus and Vice-Chairman Jeb Hensarling. July 2011:](#)
 - **Tommy Whittaker, president of The Farmers Bank (Tennessee):** "The cumulative burden of hundreds of new or revised regulations may be a weight too great for many smaller banks to bear."
 - **Daryl Byrd, president and chief executive, IberiaBank:** "I think you're going to see a lot of consolidation."
 - **Wes Sturges, chief executive, Charlotte's Bank of Commerce:** "The other thing we'll have to deal with - and we're not sure how - is the Dodd-Frank bill. For a little bank like ours with 19 people, that could be a full-time job for somebody to make sure we comply with the provisions of the bill."
 - **Thomas Boyle, Vice Chairman, State Bank of Countryside (Illinois):** "Each new regulation... adds another layer of complexity and cost of doing business. The Dodd-Frank Act will add an additional, enormous burden, has stimulated an environment of uncertainty, and has added new risks that will inevitably translate into fewer loans to small businesses."
 - **Brad Quade, regional president, Johnson Bank (Milwaukee branch):** "We are going to have to invest a lot more money into people and resources to manage the heavier compliance load. Right now it's requiring a great deal of additional resources to get our arms around what the expense will be going forward."
 - **Greg Ohlendorf, President and CEO, First Community Bank and Trust (Illinois):** "Many community banks complain that the required capital level goalpost is unpredictable and regulators simply keep moving it further, making it nearly impossible to satisfy capital demands in a difficult economy and capital market place. As a result, bankers are forced to pull in their horns

and pass up sound loan opportunities in order to preserve capital. This is not helpful for their communities and for overall economic growth.”

Fast Facts: CUMULATIVE WEIGHT

Impact on Global Competitiveness

August 12, 2011

Many studies claim that the cumulative weight of new rules will impact the ability of American companies to be internationally competitive. Quantitative estimates include:

- **No other industrialized countries plan to enact provisions that parallel the U.S. restrictions;**
 - **U.S. banks represent 24% of the market share of the 50 largest global banks, down from over 50% only eight years ago;**
 - **Chinese banks represent 22% of the global market share;**
 - **Transaction volume in London already exceeds that in New York; and**
 - **Emphasis on nonbanks could alter the competitive landscape for U.S. nonbank financial firms relative to their foreign counterparts.**
-
- “There are large and growing differences in the pace and scope of regulatory reform efforts in the U.S. [and] they put U.S. financial markets at a disadvantage by driving up costs and reducing liquidity. And they do so without demonstrating any clear benefit to equal or outweigh the considerable costs they impose.” **Stephen O'Connor, Managing Director, Morgan Stanley, [Testimony at the House Financial Services Hearing: “Financial Regulatory Reform: The International Context.” June 2011](#)**
 - “...No other industrialized country in Europe or around the world plan to enact provisions that parallel the U.S. restrictions. The foreign regulators we spoke with indicated that if the U.S. restrictions were implemented in a way that restricts the ability of U.S. banking entities to serve their clients through market-making, underwriting, or in other ways, that U.S. banking entities could lose business to their competitors in Europe and elsewhere.” **Government Accountability Office, [GAO Study: Regulators Will Need More Comprehensive Information to Fully Monitor Compliance with New Restrictions When Implemented. July 2011](#)**
 - “First, if capital and liquidity standards are set too high, we may unnecessarily restrict financial intermediation and economic performance. Second, if some countries do not adopt the same high standards and enforce them with the same rigor, we could wind up with an unlevel playing field that gives an advantage to firms in countries with less stringent standards.” **Mr. John Walsh, Acting Comptroller of**

[the Currency, Testimony at the House Financial Services Hearing: "Financial Regulatory Reform: The International Context." June 2011](#)

- “The differences between <G20 commitments and the Dodd-Frank Act> in their emphasis on nonbanks could alter the competitive landscape for U.S. nonbank financial firms relative to their foreign counterparts.” **Federal Reserve Board, U.S. Domestic and International Financial Reform Policy: Are G20 Commitments and the Dodd-Frank Act in Sync?** July 2011.
- “A number of non-U.S. regulators have asserted that there are no G-SIFIs in their home country jurisdictions, thus protecting their domestic insurers from heightened regulation.” **Gary Hughes, Executive Vice President & General Counsel of American Council of Life Insurers. Testimony at House Financial Services Subcommittee Hearing, "Insurance Oversight: Policy Implications for U.S. Consumers, Businesses, and Jobs."** July 28, 2011.
- “This poses the risk that European Union systems will be applied to US insurers when those systems have been developed for different markets and corporate structures that are less conducive to economic growth than the US structure....The conflict could result in the addition of new layers of duplicative and inefficient regulation for US insurers...” **Andrew Furgatch, Chairman of the Board, Magna Carta Insurance Companies. Testimony at House Financial Services Subcommittee Hearing, "Insurance Oversight: Policy Implications for U.S. Consumers, Businesses, and Jobs."** July 28, 2011.
- “The new regulatory environment has the potential to hasten rather than reverse the long-term competitive decline of the U.S. financial services sector, vis-à-vis our international competitors.....None of the world’s five largest banks is a U.S. bank. U.S. banks represent 24 percent of the market share of the 50 largest global banks, down from over 50 percent only eight years ago; Chinese banks now hold 22 percent. These trends are likely to continue as emerging markets continue to expand.” **Mr. Barry L. Zubrow, Executive Vice President and Chief Risk Officer, JPMorgan Chase & Co., Testimony at the House Financial Services Hearing: "Financial Regulatory Reform: The International Context." June 2011**
- “We note that transaction volume in London already exceeds that in New York. We also note that the five largest US-based dealers reported a notional amount outstanding equal to only 37% of the total notional amount for interest rate, credit, and equity derivatives globally.” **Stephen O'Connor, Managing Director, Morgan Stanley, Testimony at the House Financial Services Hearing: "Financial Regulatory Reform: The International Context." June 2011**
- “If bank profits drop at home because of the Volcker rule, U.S. banks may move their proprietary trading activities to their foreign operations. This transfer could have a

negative impact on U.S. trade in financial services.” **Congressional Research Service**, [The Status of the Basel III Capital Adequacy Accord. October 28, 2010](#)

- “The perceived unfairness and unpredictability of the U.S. legal system have driven companies away from our public exchanges; 46% of executives surveyed believed the U.K. had more predictable legal outcomes compared with 16% for the U.S.” **Harvard Business Law**, [In Dodd-Frank's Shadow: The Declining Competitiveness of U.S. Public Equity Markets. March 2011](#)
- “It will likely be late 2012 or 2013 before the E.U. completes its rules. If trading in the U.S. is more expensive, even for a year, participants may shift trading abroad in order to incur lower costs and once trading has moved abroad it will be difficult to get back.” **Professor Hal S. Scott, Director of the Committee on Capital Markets Regulation, Nomura Professor and Director of the Program on International Financial Systems at Harvard Law School**, [Testimony at the House Financial Services Hearing: “Financial Regulatory Reform: The International Context.” June 2011](#)

Fast Facts: CUMULATIVE WEIGHT

Impact on Credit

August 3, 2011

Many studies claim that the cumulative weight of new rules will impact the cost and availability of credit for consumers and small businesses. Quantitative estimates include:

- **Over 75% of surveyed economists expect a negative impact on credit availability;**
 - **Increase in bank lending rates of about 193 basis points by 2014;**
 - **100 basis point rise in borrowing costs;**
 - **Direct costs would increase by approximately 75% to 195% for certain investors.**
-
- “Because banks believe that Dodd-Frank will probably hurt their bottom line, they're already working on a range of offsets. These initiatives will likely take the form of additional charges for products and services that are currently now either free or at a lower cost for the consumer.” **Standard & Poors Report, [What Financial Reform Could Cost The Largest U.S. Banks. November 2010](#)**
 - “Failure to consider and balance the combined impact of all of the changes will have real consequences to the extent that constraints on liquidity translate into constraints on bank lending and the availability of credit within the economy.” **Mr. John Walsh, Acting Comptroller of the Currency, Office of the Comptroller of the Currency, [Testimony at the House Financial Services Hearing: “Financial Regulatory Reform: The International Context.” June 2011](#)**
 - “Economic output is mainly affected by an increase in bank lending spreads as banks pass a rise in bank funding costs, due to higher capital requirements, to their customers.” **OECD, [Macroeconomic Impact of Basel III. February 2011](#)**
 - “This, and a variety of other changes in funding costs, would lead to an increase in bank lending rates of about 193 basis points by 2014.” **Institute for International Finance, [Interim Report on the Cumulative Impact on the Global Economy of Proposed Changes in the Banking Regulatory Framework. June 2010](#)**
 - “In short the impact of Dodd-Frank look similar to a roughly 100 basis point rise in borrowing costs.” **Dr. Douglas Holtz-Eakin, President, American Action Forum,**

[Testimony at the House Financial Services Hearing: "The Costs of Implementing the Dodd-Frank Act: Budgetary and Economic." March 30, 2011.](#)

- “Over 75 percent of survey respondents expected a negative impact on credit availability and nearly 60 percent expected a negative impact on the cost of credit for households. The forecast for impact on the business sector was only slightly less negative, with 65 percent and 53 percent predicting a negative impact on the availability of credit and cost of credit, respectively.” **SIFMA**, [SIFMA Roundtable of Economists Sees Economic Growth Steady at a Subpar Rate, Deficit Reduction Debate Continues for 2011. July 2011](#)
- “The uncertainty created by the Act is potentially toxic to any financial services start-up, in that it affects the ability of small and early stage companies to secure necessary capital.” **Mr. John M. Schaible, Chairman, Atlas Federal Holdings** [House Financial Services Hearing: "The Effect of Dodd-Frank on Small Financial Institutions and Small Businesses." March 2, 2011](#)
- “High dependency on banks of small and medium sized businesses, which typically create 70% of new jobs, presents another key issue.” **Institute for** some consumers and banks.” **Todd Zywicki, Mercatus Center**, [THE ECONOMICS OF PAYMENT CARD INTERCHANGE FEES AND THE LIMITS OF REGULATION. June 2010](#)
- “In the study sample, estimated direct costs would increase by approximately 75% to 195% for these investors.” **Oliver Wyman**, [Assessment of the impact of the Department of Labor's proposed "fiduciary" definition rule on IRA consumers. April 2011](#)
- “According to our analysis and research, banks and credit unions will pass on much of the \$33.4-\$38.6 billion reduction in interchange fees to consumers and small businesses in the form of higher fees or reduced services during the 24 month period following the implementation of the regulations.” **David S. Evans, Robert E. Litan, Richard Schmalensee**, [Economic Analysis of the Effects of the Federal Reserve Board's Proposed Debit Card Interchange Fee Regulations on Consumers and Small Businesses. February 2011](#)

Fast Facts: CUMULATIVE WEIGHT

Impact on the Economy

July 29, 2011

Many studies claim that the cumulative weight of new rules will adversely impact economic growth and job creation. Quantitative estimates include:

- **Total 2.6% decline in GDP from regulatory changes;**
 - **4.6 million jobs lost from regulatory changes;**
 - **0.19% decline in GDP for each 1% increase in capital requirements;**
 - **0.2% decline in GDP when SIFI surcharge is implemented; and**
 - **\$1.25 billion of budgetary costs incurred by next year.**
- “For the U.S., the path of real GDP would be lower than in a scenario of no regulatory change, with the negative impact rising fastest in the next five years when the economy is struggling to resume a solid growth against the headwinds of a fiscal policy reversal.” **Institute for International Finance**, [The Cumulative Impact on the Global Economy of Increased Regulation of the Banking Industry. June 2010](#)
 - “By insisting on higher and higher levels of required capital, regulators risk making precisely the same mistake as their predecessors at a very similar juncture in the current economic recovery -- with potentially disastrous consequences for the nation.” **Anonymous, Former Senior Fed Official**, [Regulators Risking New Depression, June 2011](#)
 - “The cumulative effects of the various provisions in Basel III could lead to a decline in U.S. GDP alone of up to \$951 billion over the period of 2011 to 2015 according to the IIF. But as Chairman Bernanke admits, we really do not know the impact; it might be much worse.” **Professor Hal S. Scott, Director of the Committee on Capital Markets Regulation, Nomura Professor and Director of the Program on International Financial Systems at Harvard Law School**, [Testimony at the House Financial Services Hearing: “Financial Regulatory Reform: The International Context” June 2011](#)
 - “The estimated medium-term impact of Basel III implementation on GDP growth is in the range of -0.05 to -0.15 percentage point per annum.” **OECD**, [Macroeconomic Impact of Basel III, February 2011](#)

- “For each percentage point increase in the target capital ratio implemented over a four-year horizon, the level of GDP relative to the baseline path declines by a maximum of about 0.19%.” **Macroeconomic Assessment Group**, [Assessing the macroeconomic impact of the transition to stronger capital and liquidity requirements - Interim Report, August 2010](#).
- “The loss in jobs in the regulatory change scenario is about 4.6 million by 2015,” **Institute for International Finance**, [The Cumulative Impact on the Global Economy of Increased Regulation of the Banking Industry](#). June 2010
- “By 2015, the downward deviation <of GDP> would be about 2.6%.” **Institute for International Finance**, [The Cumulative Impact on the Global Economy of Increased Regulation of the Banking Industry](#). June 2010
- “Increasing capital levels by the amounts required under Basel III might affect long-term profitability, loan growth and economic growth.” **Bloomberg Government Study**, [Basel III: How U.S. Banks Will Fare Under New Capital Requirements](#), June 2011
- “It imposes direct compliance costs and its distortions induce economic costs in the form of reduced capital investment, inferior risk-sharing, and lost competitiveness.” **Dr. Douglas Holtz-Eakin, President, American Action Forum**, [Testimony at the House Financial Services Hearing: "The Costs of Implementing the Dodd-Frank Act: Budgetary and Economic."](#) March 30, 2011
- “The CBO report to Congress during the deliberations over Dodd-Frank **did not** even attempt to address the indirect costs or impacts on our economy, but focused solely on the near-term impact on the federal budget.” **Dr. James J. Angel, Associate Professor of Finance, McDonough School of Business, Georgetown University**, [Testimony at the House Financial Services Hearing: "The Costs of Implementing the Dodd-Frank Act: Budgetary and Economic."](#) March 30, 2011
- “Jeopardizes financial recovery by reducing credit during a severe economic recession; a time when the economy is fragile and there is already too little credit.” **David Evans and Joshua Wright, Mercatus Center**, [THE EFFECT OF THE CONSUMER FINANCIAL PROTECTION AGENCY ACT OF 2009 ON CONSUMER CREDIT](#), March 2010
- “Over the first 2 years of implementation of the SIFI surcharge, growth could be reduced by as much as 0.2 percentage points compared to the growth impact of the Basel III regulation.” **Institute for International Finance**, [SIFI surcharges: Fundamental Issues and Empirical Estimates](#), April 2011
- “The pace of implementation could cause some disruption to trading, and sharp hikes in capital requirements (as much as +\$2 trillion, we estimate) could have the

unintended consequence of reducing market liquidity.” **Morgan Stanley, Oliver Wyman**, [The Future of Capital Markets Infrastructure \(PDF\)](#), February 2011

- "If you restrict or require more capital of banks, what will happen is that they have to wait until the deviations [in price] get larger before they intermediate, because they have to make a return on the capital they are employing. As intermediary services stop, markets then become more chaotic.” **Nobel prize winner, Myron Scholes**, [Myron Scholes Warns Against Excessive Capital Requirements](#), June 2011
- “The Government Accountability Office (GAO) has estimated that by this time next year the budgetary cost for Dodd-Frank will exceed \$1.25 billion, which has the effect of siphoning off resources that might otherwise have gone toward deficit reduction or private sector job creation. Moreover, the Congressional Budget Office has estimated that over the next ten years, the Dodd-Frank Act will take \$27 billion directly from the economy in new fees and assessments on lenders and other financial companies.” **House Financial Services Committee**, [One Year Later: The Consequences of the Dodd-Frank Act](#). July 2011
- “The current rulemaking process is sacrificing quality and fairness for apparent speed, risking lengthy court challenges and poor rules that will damage our financial system and hinder economic recovery . . . Rather than using a prudent deliberative process, sweeping reforms are being quickly pushed forward without providing adequate time for meaningful fact-finding or dialogue.” **Committee on Capital Markets Regulation**, [The Pace of Rulemaking Under the Dodd-Frank Act: Letter to Congress](#). December 2010
- “Operating the Consumer Financial Protection Bureau (CFPB), a brand new agency created by the Dodd-Frank Act, will cost \$329,045,000 for 2012 alone. This amounts to all of the income and payroll taxes paid by 26,000 average American workers. That means 26,000 Americans will work all year to offset the cost of this new government bureaucracy.” **House Financial Services Committee**, [One Year Later: The Consequences of the Dodd-Frank Act. Authored by Chairman Spencer Bachus and Vice-Chairman Jeb Hensarling](#). July 2011
- “New funding resources related to Dodd-Frank responsibilities during the years 2011–2012 ranged from a low of \$0 for FTC to a high of around \$329 million for CFPB. Funding resources to implement the Dodd-Frank Act accounted for at least 25 percent of the agency’s total budget increase at 9 of the 11 agencies in the most recent year for which data were available... Agencies reported that most of the costs related to implementing the provisions will be recurring.” **Government Accountability Office**, [DODD-FRANK ACT: Eleven Agencies’ Estimates of Resources for Implementing Regulatory Reform](#). July 2011

Fast Facts: CUMULATIVE WEIGHT SUMMARY

September 9, 2011

Over the last four weeks, the Roundtable has released Fast Facts about the cumulative weight of new rules. A selection of these facts can be found below:

- GDP will decline 2.6% from regulatory changes;
- 4.6 million jobs will be lost from regulatory changes;
- 75% of surveyed economists expect a negative impact on credit availability;
- \$1.25 billion of budgetary costs will be incurred by next year;
- Bank lending rates will increase by about 193 basis points by 2014;
- Regulatory changes will reduce earnings by roughly \$20 billion annually for largest banks;
- Compliance costs for small property-casualty insurance companies have already increased by 36%;
- The industry will need to spend 2,260,631 labor hours per year to be in compliance with new rules;
- No other industrialized countries plan to enact provisions that parallel the U.S. restrictions;

For more information:

*View the newly released white paper here:

http://www.fsround.org/fsr/publications_and_research/files/CUMULATIVEWEIGHTWHIT EPAPER.pdf

*View the entire cumulative weight database here:

<http://www.fsround.org/fsr/fsic/files/EconomicImpactRegulatoryReform.xls>

*Previous Fast Facts on cumulative weight can be found here:

http://www.fsround.org/fsr/publications_and_research/fast_facts.asp

Fast Facts: IMPACT OF DFA & BASEL ON THE ECONOMY

October 7, 2011

Three recent reports present the sobering reality that our economy, credit, and international competitiveness could be compromised as a result of the Dodd-Frank Act and Basel III. This is consistent with the conclusions of nearly 100 other reports and studies the Roundtable has compiled that analyze the economic impact of regulatory changes.

The financial crisis demonstrated the need for regulatory reform, but reform should be implemented in a way that does not inhibit economic growth, job creation, and American businesses.

The three reports released in September 2011 are as follows:

Institute for International Finance: This report updates IIF's 2010 assessment of the cumulative impact of the Dodd-Frank Act and Basel III on economic activity.

As a direct result of regulatory changes, by 2015:

- Real U.S. GDP is projected to be 2.7% lower than it would otherwise be, (or 5.2% lower if reform is implemented rapidly).
- 2.9 million jobs are projected to be lost in the U.S., (or 5.8 million jobs if reform is implemented rapidly).
- Real lending rates in the U.S. are projected to increase by 468 basis points, (or 701 basis points if reform is implemented rapidly), exponentially increasing the cost of education loans, home loans, commercial loans, etc.

[The Cumulative Impact on the Global Economy of Changes in the Financial Regulatory Framework, September 2011.](#)

McKinsey & Company: This report argues that new rules place U.S. financial institutions at a competitive disadvantage.

- There is a widening gap between growing and non growing markets. For example, Asian banks are likely to achieve annual revenue growth of around 10% over the next decade – double the rate of developed markets.
- Increasing regulation is the single largest factor of post-crisis bank profitability (or lack thereof) in the U.S. and Europe. U.S. banks will need to triple their net profits by 2015 to cover the cost of raising the capital required under Basel III and the Dodd-Frank Act.

- This is double the profit level that McKinsey forecasts U.S. banks are likely to achieve during this period.

[The State of Global Banking – In Search of a Sustainable Model, September 2011.](#)

The Clearing House: This report shows that new capital rules will have a negative impact on credit.

- Relative to pre-crisis levels, banks would have to raise an additional 100% more capital (\$525 billion) to meet Basel III's capital requirements.
- If the G-SIB surcharge is imposed, banks will need to raise an additional 66% more capital (\$500 billion) on top of that.
- To meet these capital requirements, U.S. banks would have to either increase the borrowing costs to their customers by 60 basis points or reduce non-interest expenses by 19%.

[How Much Capital Is Enough? Capital Levels and G-SIB Capital Surcharges, September 26, 2011](#)

Fast Facts: IMPACT OF DURBIN AMENDMENT FOR CONSUMERS

November 16, 2011

On October 1, 2011, the Durbin Amendment went into effect¹. Recent surveys show that the impact of the Durbin Amendment will be neutral or negative for consumers.

FACT: Most merchants will see substantial debit fee savings as a result of the Durbin Amendment. [TSG Metrics Survey, October 14, 2011](#).

FACT: The average savings per merchant is \$260.24 for every \$100,000 of signature debit and credit card volume processed. [Heartland Payment Systems Survey, October 28, 2011](#).

- Washington DC merchants received the highest average savings of \$333.94.

FACT: There is no legal requirement for merchants to pass on savings from the Durbin Amendment to consumers.

FACT: In fact, 41% of merchants reported they do not intend to pass on lower debit card costs to consumers, when asked about the Durbin Amendment. [DRF Survey, September 1, 2011](#).

- 56% of merchants in the survey reported they don't know yet what they will do.

FACT: There is currently no published research showing that consumers have seen reduced fees at stores as a result of the Durbin Amendment.

FACT: Additionally, consumers are facing higher bank fees, according to the 2011 Bankrate Checking Survey. [Bankrate Checking Survey, 2011](#).

- Just 45 percent of noninterest checking accounts are free of maintenance charges, down from 65 percent in 2010 and 76 percent in 2009.
- "The entire model of free checking has been turned upside down because of <Regulation E and the Durbin Amendment>," said Ajay Nagarkatte, managing director of Chicago-based BAI Research, in the Bankrate survey.

Source: Insurance Information Institute, 2012

Fast Facts: INTERNATIONAL CAPITAL REQUIREMENTS

September 2, 2011

FACT: Under Basel III, banks may be required to hold up to [9.5%](#) of Tier 1 common equity. This is *more than double* previous capital levels. The core features of Basel III include:

- An increased minimum Tier 1 common equity requirement for banks from 2% to 4.5%.
- A “conservation buffer” of 2.5% to withstand future periods of stress, and
- A possible “counter-cyclical buffer” of 2.5% on top of that.

FACT: The largest banks will be subject to additional capital requirements (a “SIFI surcharge”) that could [bring required common equity for some of these institutions up to 12%](#).

- The additional capital requirement will range from 1% to 2.5%.
- If the biggest banks continue to get bigger, there is the possibility of additional 1% surcharge on top of that.

FACT: So, how much capital is this in context?

- The <Basel III> capital level is “a level very few large U.S. banks were able to achieve at the height of their record level of profits in 2006,” according to the [Congressional Research Service](#).

FACT: In addition to increased capital ratios, Basel III is much stricter on the calculation of these ratios. In other words, even if the required ratios stayed the same as today, achieving those ratios would be far more difficult.

FACT: What is the impact of these additional capital requirements?

- Banks pass a rise in bank funding costs, due to higher capital requirements, to their customers, according to the [OECD](#).
- For each percentage point increase in the target capital ratio implemented over a four-year horizon, the level of GDP relative to the baseline path declines by 0.19, according to the [Macroeconomic Assessment Group](#).

Increasing capital levels by the amounts required under Basel III might affect long-term profitability, loan growth and economic growth, according to Bloomberg Government.

Fast Facts: PROCYCLICAL vs. COUNTERCYCLICAL POLICIES

August 26, 2011

On August 17, 2011, the Financial Services Roundtable released a study commissioned through the Cluff Fund and authored by Drs. Bill Longbrake and Clifford Rossi, entitled: "The Procyclical versus Countercyclical Policy Effects on Financial Markets." Below are key takeaways from the report.

FACT: Markets are inherently cyclical. There are booms and busts.

- Procyclical policies exaggerate the ups and downs of business cycles (e.g. the good times are really good, the bad times are really bad).
- Countercyclical policies reduce the length and extent of business cycle contractions.

FACT: One of the most significant procyclical forces is financial regulation, which can negatively impact economic growth and innovation.

FACT: Regulators are more apt to implement procyclical (vs. countercyclical) policies.

- "Reflecting the losses and recriminations of the bust, regulators are afraid of being criticized themselves, afraid of making further mistakes, and trying to rebuild their deposit insurance fund which has shrunk to negative net worth. Reacting to the painful mistakes already made, they clamp down forcefully. This contracts credit further than the crisis already has," *Alex Pollock, Senior Fellow at the American Enterprise Institute, writes in his foreword to the report.*

FACT: Examples of procyclical policies that may have contributed to worsening and deepening the financial crisis include: loan loss reserving accounting rules; supervisory implementation of regulatory policy; regulatory capital requirements; liquidity requirements; deposit insurance premiums; and fair value accounting rules.

FACT: Drs. Bill Longbrake and Clifford Rossi examine these procyclical policies and offer countercyclical alternatives and key recommendations:

- **Coordination.** Regulators should *coordinate* to mitigate procyclical impacts.
- **Accountability.** Regulators should *be accountable* for mitigating procyclical impacts.
- **Regulatory Capital Requirements.** Regulators should study the potential consequences of the proposed Basel III capital requirements for lending and economic growth and analyze countercyclical alternatives.
- **Liquidity Requirements.** The Basel Committee on Banking Supervision and U.S. regulators should evaluate potential significant unintended consequences of

the two proposed required liquidity ratios and should either revise the ratios to mitigate such consequences or replace the ratios with supervisory guidelines.

- **Fair Value Accounting Rules.** The U.S. Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) should continue to work toward harmonizing US and international fair value accounting (FVA) principles, and in doing so, should be attentive to mitigating potential procyclical impacts.

A full copy of the report is available here:

<http://www.fsround.org/fsr/pdfs/cluff/CountercyclicalPE.pdf>

Fast Facts: 4th QUARTER REGULATORY OUTLOOK

October 1, 2011

FACT: According to Davis Polk's Dodd-Frank Progress Report, 122 rule deadlines were missed in the 3rd quarter, and 37 new rules are due to be finalized in 4th quarter.

FACT: Thus, over 150 rules potentially could be finalized between October-December 2011. This amount of rulemaking is unparalleled to any other quarter since Dodd-Frank was passed.

FACT: Three tranches of rules to expect are:

1. Already proposed rules and guidance awaiting finalization;

- This includes capital planning, FDIC assessment reporting for sub-prime loans and leveraged loans, stress testing standards, and the Volcker Rule.

2. Rules from Sections 165 and 166 of the Dodd-Frank Act, and;

- These rules will be issued by the Federal Reserve and apply to bank holding companies over \$50 billion and nonbanks designated by the Financial Stability Oversight Committee.
- The package of rules is expected to be over 1,000 pages long, containing requirements for risk-based capital; leverage; liquidity; overall risk management; concentration limits; risk committees, and; Federal Reserve directed stress testing and recovery planning.

3. Basel III capital and liquidity requirements.

- On November 3-4, 2011, the G-20 Leader's Summit will meet in Cannes, France to discuss Basel III requirements. The Basel III requirements are detailed [here](#).

Section 3: Committed to Customers

The second half of 2011 was marked by increased lending and job support.

One example of this is small business lending. The financial services industry extended over \$600 billion in loans to small businesses during 2011, pledging an additional \$100 billion in loans for 2012 and beyond. As a result, over 93% of small business owners report that their credit needs are met. Nonbanks too ramped up their small business efforts, providing education, networking, and financial planning to millions of small businesses.

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: HELPING VETERANS FIND JOBS

December 12, 2011

According to a recent government report, the jobless rate for veterans was 12.1 percent in October 2011, exceeding the overall 9 percent national rate. The Financial Services Roundtable surveyed its membership in December 2011 to see what individual companies are doing to help veterans find jobs.

Below is a selection of member company responses:

- Bank of America, Citigroup, and other financial companies began Veterans on Wall Street. Veterans on Wall Street (VOWS) is an initiative dedicated to honoring former military personnel and employees currently in the National Guard and Reserve by facilitating career and business opportunities in the financial services industry. [Bank of America, Citigroup.](#)
- BlackRock has partnered with American Corporate Partners (ACP) to mentor Iraq and Afghanistan veterans as they transition to civilian careers. Approximately 50 BlackRock professionals from around the country will be matched in one-on-one, yearlong mentorships with veterans in New York, San Francisco and the Philadelphia area. BlackRock also will make a financial contribution to ACP in support of its efforts. [BlackRock.](#)
- BNY Mellon has provided more than \$1 million in support to several veterans' organizations in the United States and United Kingdom in recent years. [BNY Mellon.](#)
- Citi employs more than 2,000 self-identified veterans across its businesses, including more than 600 veterans hired this year -- on pace to exceed the goal CEO Vikram Pandit set in August 2011 to hire as many as 500 more veterans over the next 12 months. Citi is an official partner of the Military Spouse Employment Partnership and a signatory of the Employer Support for the Guard & Reserve. Additionally, Citi Chairman Dick Parsons leads the employment work stream and serves on the Advisory Board of "Joining Forces," a national initiative established by First Lady Michelle Obama and Dr. Jill Biden to encourage individuals, communities and businesses to support veterans and their families. [Citigroup.](#)
- GE currently employs more than 10,000 U.S. veterans and works to recruit more veterans and reservists by hosting and attending veterans' career fairs, running a renowned GE leadership development program tailored specifically for military officers and partnering to assist veterans in their transition to civilian life. One such

partnership with the U.S. Army Reserve guarantees priority consideration for job interviews for all qualified participating soldiers no later than 30 days after completing military occupational specialty training. As a founding member of American Corporate Partners, GE continues to mentor veterans transitioning. In 2011 GE was named a top Military Friendly Employer from GI Jobs Magazine for the eighth consecutive year. [GE](#).

- The Hartford has been recognized for its support for veterans and is proud to be a G.I. Jobs Top 100 Military-Friendly Employer, a recognition it has received for three consecutive years. The Hartford also received the Connecticut ESGR's Pro Patria Award in 2010, the highest honor given by a state ESGR Committee to employers. In 2008, The Hartford formed a support network for the company's reserve component soldiers, sailors, airmen, marines and coastguardsmen which is open to all employees. In 2012, this group will be sanctioned as an official Veterans Employee Resource Group at The Hartford. [The Hartford](#).
- JPMorgan Chase is a founding member of the 100,000 Jobs Mission, a coalition committed to hiring 100,000 transitioning service members and military veterans by 2020. The firm also plans to share best recruiting and employment practices as well as hiring results to encourage additional support. [JPMorgan Chase](#).
- Liberty Mutual partnered with American Corporate Partners (ACP) to offer career mentoring for veterans of the wars in Afghanistan and Iraq by nearly 40 Liberty Mutual employees. [Liberty Mutual](#).
- Principal Financial Group received the Secretary of Defense Employer Support Freedom Award in 2011, the highest recognition given by the U.S. Government to employers for their support of their employees who serve in the National Guard and Reserve. The Freedom Award is presented annually to the nation's 15 most supportive employers. [Principal Financial Group](#).
- Prudential Financial, Inc. will contribute \$6.2 million to 10 nonprofit groups that help U.S. military veterans and their families transition back into civilian life. [Prudential Financial, Inc.](#)
- TD Bank recently sponsored several scholarships for returning veterans to participate in the World of Possibilities Transitioning to Green Forum. [TD Bank](#).
- U.S. Bank plans to double its military hiring next year, after hiring 200 veterans and members of the guard and reserve this year. It already employs almost 1,700 veterans and members of the guard and reserve. The firm launched a military-specific recruiting website and unveiled a new paid leave policy allowing employees with family serving in the military additional time off. [U.S. Bancorp](#).

- Wells Fargo has consistently shown broad support of its service member-employees, evidence in its receipt of numerous ESGR Awards and the State of California ESGR Pro Patria Award. In September 2011, Wells Fargo will be presented the Secretary of Defense Employer Support Freedom Award, the highest recognition given by the U.S. government to employers for their exemplarily support of their employees who serves in the National Guard and Reserve. [Wells Fargo](#).

Fast Facts: HOLIDAY ELECTRONIC SHOPPING

December 2, 2011

Electronic shopping is the result of years of investment by financial services companies and merchants. It is supported by call centers, fraud prevention efforts, and innovative payments technology that are largely invisible. For years, people shopped with fiat currency at brick and mortar facilities. Now, you can shop online from the comfort of your own home.

FACT: Cyber Monday was the [biggest online spending day in history](#), according to IBM.

- Online sales for Cyber Monday were [up 33 percent](#) compared to 2010.

FACT: Online sales for department stores on Black Friday were [up 59 percent compared to last year](#), according to IBM.

FACT: In total, [nearly 40 percent of all sales](#) over the 4-day Thanksgiving weekend were made online.

FACT: Holiday shopping via mobile phones [increased by 400% this year](#), data from the National Retail Federation shows.

- The number of Americans saying they would use their [mobile device to shop on Cyber Monday](#) has gone from just 3.6 million (3.8% of the population) in 2009 to 17.8 million (14.5% of the population) in 2011.

FACT: Debit and credit cards remain **the number one way to finance the holidays**, and nearly all online purchases are made with cards.

- The National Retail Federation found that [44 percent of shoppers will use debit cards to purchase holiday gifts this season](#), the highest debit usage in ten years. Nearly 30 percent of shoppers will charge their gifts.

Fast Facts: LENDING

January 27, 2012

FACT: [Lending has returned to pre-crisis levels of nearly \\$7 trillion](#), according to data from the Federal Reserve. U.S. commercial banks had extended \$6.944 trillion of loans as of November 2011, which is \$187 billion above November 2007 levels.

FACT: [Business lending grew by 8% during 2011](#). Commercial banks had \$1.34 trillion in loans extended to businesses of all sizes at the close of 2011, which is \$100 billion more than the end of 2010, according to FDIC data.

FACT: [Small business borrowing hit a four-year high](#) in November 2011, according to the Thomson Reuters/PayNet Small Business Lending Index. The index was up 18% from November 2010.

- The Roundtable's 2011 Small Business Report shows that \$600 billion in small business loans were extended in 2011, and the [largest banks pledged \\$100 billion more](#) over the next three years.

FACT: [Consumer credit surged by the most in a decade](#) in November 2011. "In the biggest gain since November 2001, credit jumped to \$2.48 trillion, indicating that households are gaining the confidence to take on debt and banks are more willing to lend," Bloomberg reported.

FACT: The [credit quality of loans on banks' books has significantly improved](#). Data from the St. Louis Federal Reserve shows the ratio of nonperforming commercial loans to commercial loans has decreased by 54% from the height of the crisis in July 2009 to 2011.

- During 2009, for every 1 performing commercial loan on a bank's books, there were an average of 3.5 nonperforming ones. Now, the ratio of performing loans to nonperforming ones is 1 to 1.

FACT: As of the third quarter of 2011, the amount of noncurrent loans (90 days or more past due) had fallen for six consecutive quarters, according to the [FDIC Quarterly Banking report](#).

Fast Facts: SMALL BUSINESS LENDING

Part I

October 14, 2011

FACT: Small business loans backed by the U.S. Small Business Administration reached \$30 billion in FY 2011, the highest mark in the agency's history.¹

FACT: Currently, over \$671 billion of small business loans are outstanding.

FACT: On September 20, 2011, Vice President Biden announced a \$20 billion, three-year commitment by 13 major banks to increase lending to small businesses in underserved communities. The following financial institutions <all Roundtable members> were represented at the announcement:

- **Wells Fargo**
- **Key Corp**
- **Regions**
- **Huntington**
- **M&T**
- **JP Morgan Chase**
- **Citizens Financial Group**
- **Citigroup**
- **Bank of America**
- **TD Bank**
- **US Bank**
- **PNC**
- **Sun Trust**

FACT: The overwhelming majority of small business owners (93%) report that their finance needs are met or they are not interested in borrowing, according to the National Federation of Independent Businesses' Optimism Index.

FACT: According to the U.S. Chamber of Commerce's small business survey released on October 12, 2011, small business owners' top issue and biggest challenge is the general economic climate. Other reported concerns are:

- Economic uncertainty (25%)

¹This is in sharp contrast with the Treasury's Small Business Lending Fund, which disbursed only \$4 billion of the \$30 billion available.

- America's growing debt and deficit (13%)
- Over-regulation (12%)
- The 2010 Healthcare bill (13%)
- Loss of revenue (8%)

Fast Facts: SMALL BUSINESS LENDING

Part II

October 21, 2011

The Financial Services Roundtable surveyed its membership this month to see what individual companies are doing to help small businesses access credit.

- **We found that in 2011, financial services companies:**
- **Made \$100 billion of new small business loan pledges**
- **Hired hundreds of small business loan officers**
- **Increased small business lending anywhere from 15% to 90%**
- **Extended a record amount of SBA loans (\$30 billion outstanding)**

Below is a selection of member company responses:

- Bank of the West has increased loans to small businesses by 89% as of August 2011 compared to the same period in 2010. Additionally, Bank of the West has doubled its number of small business bankers. [Bank of the West.](#)
- Bank of America's new credit originations to small businesses in the first half of 2011 were up more than 35 percent over the same period last year. Bank of America has hired more than 400 small business bankers in recent months and plans to hire roughly 1,000 total by mid-2012. [Bank of America.](#)
- BB&T is the #1 SBA Large/National Bank lender in North Carolina and Virginia. [BB&T.](#)
- Through September 2011, small business lending is up more than 35% over the same time period last year. [BBVA Compass.](#)
- BMO will make an additional \$5 billion available to small and medium-sized businesses over the next two years to support the economic recovery by spurring business investment and job creation. [BMO Financial Corporation.](#)
- Capital One originated a large volume of small business loans in 2010 – 187,075 loans totaling \$2.9 billion. The average amount of these loans was \$15,000, and 98% of all loans were for \$100,000 or less. [Capital One.](#)

- CIT Group Inc. provided over \$1 billion in new loan commitments during the second quarter of 2011, an increase of nearly 30% over the first quarter. [CIT Group.](#)
- Citi pledged \$24 billion in US small-business lending over the next three years, including \$7 billion this year, \$8 billion next year, and \$9 billion in 2013. Last year, the company made \$6 billion in small-business loans, compared with \$4.5 billion in 2009. [Citi.](#)
- Fifth Third Bank has the capacity to extend \$28 billion in new and renewed credit to qualified commercial and small business customers through July 2012. [Fifth Third.](#)
- First Commonwealth Bank has increased its focus on helping small businesses in recent years and now has nearly 30 Business Banking Officers partnering with 112 branch offices throughout its 15-county footprint to promote and grow relationships with local businesses. [First Commonwealth Bank.](#)
- First Niagara Financial Group has completed an \$8 million loan agreement with Northeast Builders Supply & Home Centers... The deal exemplifies First Niagara's commitment to providing local businesses with tailored lending solutions that are responsive to their needs and strengths. [First Niagara Financial Group.](#)
- HSBC Bank increased small business new loan origination 15 percent year-over-year in the first nine months of 2011. [HSBC.](#)
- Huntington plans to lend \$4 billion to small businesses in the Midwest over a three-year period, with a stepped increase in small business lending through 2012 and beyond. [Huntington.](#)
- Chase commits to lend \$12 billion to American small businesses in 2011, a 20% increase over its 2010 commitment. It put more than 100,000 new loans for working capital, term loans for expansion, commercial mortgages, lines of credit and business credit cards on its books in the first three months of 2011. [JPMorgan Chase.](#)
- KeyCorp commits to \$5 billion in small business lending over next three years. [KeyCorp.](#)
- M&T Bank reaffirmed its commitment to small business owners, pledging to increase lending by \$50 million above 2010 levels for each of the next three years. [M&T.](#)
- People's commitment to helping Connecticut's Community Economic Development Fund lend to small businesses will total \$1.8 million since CEDF's founding in 1994. [People's Bank.](#)

- PNC originated or renewed \$1 billion in small-business loans in the third quarter of 2011. [PNC.](#)
- Citizen Financial Group has more than doubled its lending to businesses with annual revenues of \$25 million or less over last year and has launched education programs for small business owners. [Citizen Financial Group.](#)
- Regions committed to an additional \$200 million increase in lending over the next three years to help small businesses grow and put more Americans back to work. As of August 2011, Regions has booked nearly \$5 billion in new and renewed small business loans, a 16 percent increase in new loan production as compared to 2010. [Regions.](#)
- Starting in November 2008, Synovus began using accounts receivables as collaterals to increase small business lending. [Synovus.](#)
- TD Bank has committed to growing small businesses loans by 70 percent above 2010 levels over the next three years. In 2011, TD Bank doubled its SBA lending sales force, and increased its conventional small business sales team by 20 percent. [TD Bank.](#)
- U.S. Bank set a new company record for Small Business Administration (SBA) loan approvals with a total of \$630 million for the SBA fiscal year, which ended Sept. 30, 2011. The previous U.S. Bank record, set in 2008, was \$504 million. [U.S. Bancorp.](#)
- Wells Fargo made \$10.3 billion in new loan commitments to small businesses in the first three quarters of 2011 – an 8 percent increase in new dollars loaned from the same period last year. In 2011, the company became the first to lend more than \$1 billion in SBA loans in a single year, and has been America's top SBA lender in dollar volume for three consecutive years. [Wells Fargo.](#)
- Zions has ranked as Utah's No.1 SBA lender for the past 17 consecutive years. Zions Bank approved 597 SBA 7(a) loans in Utah totaling \$48.7 million for the fiscal year ended Sept. 30, 2010. These loans represent 36 percent of the 1,677 SBA-backed loans approved in the state during fiscal year 2010. [Zions.](#)

Fast Facts: SMALL BUSINESS LENDING

Part III

October 28, 2011

Small business support is about more than lending. This month, the Financial Services Roundtable surveyed its membership to see what other ways member companies are supporting small businesses.

We found that in 2011, financial services companies:

- **Provided insurance, retirement planning, and financial planning to millions of small businesses**
- **Offered award-winning online platforms for small businesses**
- **Provided free education, networking, and rebates to small businesses**
- **Helped small businesses manage disasters by relaxing collection efforts, reducing pricing, and offering disaster bridge loans**

Below is a selection of member company responses:

- Nationwide and PartnerUp support small businesses by building a network to facilitate communications among small business owners. [Nationwide.](#)
- State Farm continues its commitment to small business, offering insurance and financial services to help small business owners recover from the unexpected and realize their dreams. [State Farm.](#)
- The Allstate Protection segment has a separate organization called Emerging Businesses which includes business insurance for small business owners. [Allstate.](#)
- LPL acquired National Retirement Partners, Inc. to help support small and medium sized business with employee retirement solutions, including group annuities and 401(k) plans. [LPL Financial.](#)
- The Hartford provides insurance protection for more than a million small business owners. Additionally, the Hartford provides award-winning tools and educational resources that help small business owners understand insurance well enough so they feel confident about what they're buying. For instance, The Hartford launched an interactive on-line guide to explain workers' compensation in "plain

English." The Hartford also created The Business Owner's Playbook®, which helps identify and address the important issues facing small business owners today, so they have more time to run their company. [Hartford.](#)

- Visa launched a micro lending program with Kiva. Org. The average size of Kiva's partner loans in the US is \$7,000. [Visa.](#)
- In support of small business and entrepreneurial achievement, the Principal Financial Group® sponsored the Inc. 500|5000 Conference. Nearly 2,000 of the nation's most successful small business CEOs and entrepreneurs met at the 30th annual Inc. 500|5000 Conference & Awards Ceremony September 22-24 at the Gaylord National hotel and conference center in Washington, DC. [Principal Financial.](#)
- Ares Capital Corporation made over \$1.4 billion in new investment commitments during the quarter ended September 30, 2011, an increase of more than 170% compared to the same period a year ago and over 55% compared to the second quarter of 2011. Ares Capital invests primarily in U.S. middle-market companies. [Ares Capital Corporation.](#)
- Discover Financial Services' website offers numerous articles on setting up and running a small business. In terms of disaster relief, Discover may offer to relax collection efforts, activation efforts, and provide pricing concessions for merchants, depending on the size and scope of the disaster. [Discover.](#)
- MasterCard launched MasterCard Small Business Education Series webinars to help small businesses stay abreast of their industries and continue learning about topics that will help them run their businesses better. [MasterCard.](#)
- Citizens Financial Group supported small businesses impacted by recent natural disasters with a Disaster Bridge Loan Program. These bridge loans provide money immediately to businesses to pay their obligations and necessary operating expenses until such time as long-term government funding is obtained through the SBA's Disaster Loan Program. [Citizen Financial Group.](#)
- Ameriprise Financial had invested \$284 million in securities backed by Agency Small Business Administration loans as of 06/30/2011. [Ameriprise.](#)
- E*TRADE Bank made a \$2 million, 15-month pledge to Operation HOPE (HOPE) in September 2010...Operation HOPE helps small businesses in low-income communities apply for loans," [E*TRADE.](#)
- BB&T Insurance Services provides small business insurance expertise through dedicated small business insurance agents. For the 8th straight year, BB&T

provided this service to our small business customers at an 11% growth rate.

[BB&T.](#)

- In Q2 2011, Capital One launched Clear Interest Business Checking, a first-to-market high interest checking account for businesses, helping time-strapped small business owners simplify money management. Capital One Bank's Clear Interest Business Checking is one of the first high interest checking account offered for small businesses since 1933. [Capital One.](#)
- Banco Popular is participating in the New York City Bank Advisory Council, which was established to forge referral relationships and educational initiatives between banks and the New York City Small Business Services Agency. [Banco Popular.](#)
- BancorpSouth offers a \$100 cash incentive to small business owners who transfer their small business checking accounts to BancorpSouth. [BancorpSouth.](#)
- Citibank offers small business customers free checking for one year. [Citi.](#)
- City National will waive up to \$3,000 in closing costs on first trust deed loans it makes under the Small Business Administration 504 Loan Program and also will waive the bank's loan origination fees when new funds are deposited in a business checking account. [City National.](#)
- Comerica donated \$50,000 to ACCION Texas to expand microloans and spur small business growth in the San Antonio market. [Comerica.](#)
- In recent months, First Commonwealth Bank has held more than 800 meetings with women business owners. FCB's manages \$62 million in loans, deposits, and cash management activity for Women-Owned Businesses, with the goal of \$100 million. [First Commonwealth Bank.](#)
- The service First Horizon bankers provide their small and middle market business customers has consistently earned national recognition by Greenwich Associates in the areas of overall customer satisfaction, treasury management satisfaction and relationship management performance. [First Horizon.](#)
- In September 2011, HSBC Bank USA, N.A. launched its nationwide Business without Borders initiative to connect, educate and inspire U.S.-based businesses to take the necessary steps to expand and prosper in the global marketplace. [HSBC.](#)
- PNC Bank is the newest member of the Ohio Business Lending Clearinghouse network, which makes it easier for Ohio's small businesses to quickly connect with a lender, giving them an edge on growing their business and creating jobs

for Ohioans. PNC joins the ranks of other prominent lending institutions such as Fifth Third, Huntington Bank, and Key Bank, in an effort to assist Ohio small businesses with potential lending opportunities and business development resources. [PNC.](#)

- RBC Bank recently presented a free educational seminar for small business owners. [RBC Bank.](#)
- TD Bank ran a small business campaign from Maine to Florida with door to door visits to small business owners. [TD Bank.](#)
- Barlow Research Associates, Inc. honored U.S. Bank with a 2011 Monarch Innovation Award, recognizing the company's ScoreBoard online payments management tool for small businesses. The ScoreBoard tool helps small businesses make smarter decisions about the financial operations of their business. [U.S. Bancorp.](#)
- Webster hosted a small business event during National Small Business Week. [Webster Financial Corporation.](#)
- Wells Fargo provides support, guidance and relatable information to small businesses through its online content delivery portal called the Business Insight Resource Center. [Wells Fargo.](#)

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.

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: 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.

About the 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. The mission of The Financial Services Roundtable is to protect and promote the economic vitality and integrity of its members and the United States financial system. Roundtable member companies provide fuel for America's economic engine, accounting directly for \$92.7 trillion in managed assets, \$1.2 trillion in revenue, and 2.3 million jobs.

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The Financial Services Roundtable
FINANCING AMERICA'S ECONOMY
1001 Pennsylvania Avenue, NW
Suite 500 South
Washington, D.C. 20004
202-289-4322
www.fsround.org