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Government Affairs Bulletin

Contact Us

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<http://www.fsround.org>

Core Beliefs of The Financial Services Roundtable:

- *Large, integrated financial companies finance the nation's economy.*
- *The competitive marketplace should govern the delivery of products and services.*
 - *Uniform national standards across state lines are critical.*
 - *The effective use of technology is essential.*

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Other:

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Hearing: Congressional Focus Continues on Regulatory Restructuring



Earlier this week, the House Financial Services Committee held a hearing on the "Oversight & Implementation" of the "Emergency Economic Stabilization Act of 2008" (EESA). The focus of the hearing was on how the EESA has worked thus far, if it is moving in the right direction, and if so, what additional measures should be considered? Steve Bartlett, President and CEO of The Financial Services Roundtable, testified on behalf of Roundtable member companies. The Roundtable supports the EESA, a renewed focus on the mortgage issues, including reducing mortgage rates and increasing mortgage re-financing and offered a number of additional items for consideration for Congress and regulators. It is understood that Congress and the FDIC will increase efforts on housing issues, specifically on efforts regarding mortgage modifications to reduce and avoid foreclosures when possible. The Roundtable will continue to work with Congress and federal regulators to improve the application and usage of the EESA by offering additional recommendations and address the key housing issues. Mr. Bartlett's written testimony can be found here: <http://www.fsround.org/media/pdfs/Nov172008testimony.pdf>

For more information, please contact Irving Daniels, Irving@fsround.org.

Hearing: Senate Committee Considers Mortgage "Cramdown" Proposal

The Senate Judiciary Committee held a hearing to examine a proposal by Senator Richard Durbin (D-IL) that would permit bankruptcy judges to modify mortgages on a primary residence. The Roundtable opposes this change in our nation's bankruptcy laws as it will create greater uncertainty in the market and increase the cost of mortgages for homebuyers. Some in Congress are interested in giving bankruptcy judges this authority as a way to address the increasing number of people facing foreclosure. Witnesses representing the financial services industry discussed efforts being made by the industry to modify mortgages and the unintended consequences of this bankruptcy change, including: more people entering bankruptcy, higher losses to investors, and a reduced ability by financial services firms to extend affordable credit. At this hearing there was also support expressed for the mortgage modification plan being proposed by FDIC Chairwoman Sheila Bair.

For more information, please contact Scott Talbott, Scott@fsround.org.

Hearing: House Agriculture Committee Examines Role of Credit Default Swaps

On Thursday, November 20, the House Committee on Agriculture held a hearing to review the role of Credit Default Swaps (CDS) on the U.S. Economy. The hearing addressed the uncertainties associated with regulation of CDS, as well as the need for a clearing mechanism. Chairman Collin Peterson (D-MN) emphasized his support of the Commodity Futures

Trading Commission (CFTC) serving as a regulator of the CDS market.

For more information, please contact Paul Begey, Paulb@fsround.org.

Survey of 2009 Legislative & Regulatory Priorities

It's time again to develop the Roundtable's 2009 Legislative and Regulatory priorities. The 2009 survey was sent to all GAC members and discussed during the last GAC meeting held this week. If you have not done so, please complete the survey by identifying your company's top 10 issues and send it back to us as soon as possible. (The original deadline is by close of business today, November 21.) You can either email your surveys to Brenda Bowen, Brenda@fsround.org or fax to 202-628-2507.

We will compile all of the responses from the GAC and send them to other Roundtable Counsels and Roundtable executives on December 1 for comment. Then we will present all of the results to the GAC during the January 22, 2009 GAC meeting. The final action will be to present the 2009 Priorities for approval to the Board of Directors when they meet on January 29, 2009, here in Washington.

For more information, please contact Scott Talbott, Scott@fsround.org

Last Days of the 110th Congress

The House & Senate will be out of session from now through the end of November.

The Roundtable anticipates that Congress will resume the session week of December 8 to consider the automotive industry rescue plan and continue work on matters relating to the economy and any other issues requiring immediate attention. When Congress adjourns at the end of that week, it is likely the conclusion of legislative business for 2008.

For more information, please contact Scott Talbott, Scott@fsround.org.

Regulatory

Roundtable Comments on Fair Value Accounting and Impairment Accounting

The Financial Services Roundtable filed [comments](#) with the Securities and Exchange Commission (SEC) in response to questions posed on fair value accounting. The SEC is required by the "*Emergency Economic Stabilization Act of 2008*" (EESA) to conduct a study on the use of fair value accounting and its relation to the current market turmoil.

In comments to the SEC, the Roundtable emphasized that fair value accounting is an important tool for valuing assets when there is an identifiable market value. However, in an inactive market, the Roundtable recommended certain changes to the fair value accounting standards that would accurately reflect the true value of a long term asset and not the market value.

One recommendation that the Roundtable suggested was the creation of a new sub-category in the hierarchy of the fair value accounting standard. This sub-category would be triggered when there is an inactive market and would allow companies to value their assets on the long term estimated cash flow. The Roundtable also recommended that the SEC, the Financial Accounting Standards Board (FASB) and the Public Company Accounting Oversight Board (PCAOB) issue clearer guidance to both the industry and auditors on the use of the fair value accounting standard when there is essentially no market.

The SEC has held two roundtables on this issue as it prepares its study. [Click here](#) to view the transcripts or webcasts of these roundtables. Industry participants (preparers, users, and auditors) commented on the difficulty of pricing assets in a market when there is no market value. Despite industry and Roundtable efforts to have changes to or clearer guidance of the use of fair value accounting in an inactive market, the Roundtable anticipates that the SEC will not be taking any actions on this issue prior to the release of its study in early January.

Regardless of this timeline, the Roundtable asked the SEC and FASB to take some immediate steps to alleviate problem prior to 4th quarter filings. Specifically, the Roundtable urged the SEC and FASB to issue a clarification on impairment accounting since there is a consensus that companies should disclose both the credit value and market value of securities that a company has no current intention to sell (in either held to maturity or available for sale portfolios). The Roundtable contends that the impairment recognized in the income statement should be the credit loss, not the market value loss, of

those securities. The Roundtable issued a [press release](#) on this issue.

For more information, please contact Melissa Netram, Melissa@fsround.org.

Roundtable Submits Comments to the FDIC on its Temporary Liquidity Guarantee Program

The Roundtable submitted [comments](#) to the Federal Deposit Insurance Corporation (FDIC) on its Interim Rule for the Temporary Liquidity Guarantee Program. The Roundtable offered the FDIC suggestions/clarifications for both the non-interest bearing transaction account program and the unsecured debt program.

Within the transaction account portion of the program, the Roundtable suggested clarifications to the definition of a non-interest bearing transaction account and a savings account to better align these definition with current Federal Reserve regulations and to account for types of non-interest bearing accounts that institutions use for sweep purposes. Additionally, the Roundtable recommended a model disclosure for this program.

In the secured debt portion of the program, the Roundtable suggested, among other items:

- A change in the fees and inclusion of Federal Funds under the program;
- All senior unsecured debt should be backed by the full faith and credit of the U.S. government;
- Such a guarantee should include 364-day revolving credit agreements and capital lines of credit secured by bank stock;
- Clarifications on the written requirement for the issuance of senior unsecured debt; and
- Model disclosure for this portion of the program.

Today, the FDIC Board issued the [final rule](#) on this issue. [Click here to see the staff memorandum](#). The final rule included, among other items:

- FDIC guarantee will be triggered by payment default instead of bankruptcy at the holding company or failure at the bank (as in the Interim Rule).
- Participating entities will enter into master agreement that will govern the way that the FDIC operates under the guarantee.
- The final rule prescribes disclosures with very specific language required. These disclosures will affirm that the debt is backed by the full faith and credit of the U.S. Government. (The Roundtable recommended this guarantee in its comment letter.)
- The final rule eliminated short term debt from debt guarantee program. Short term debt is defined as debt issued for a period of 30 days or 1 month or less. This short term debt will not be guaranteed nor will there be a fee attached to this debt. This would carve out federal funds from the debt program (one of the recommendations that the Roundtable submitted in our comment letter.)
- The final rule develops a sliding fee scale based on instrument's maturity:
 - Debt issued for 180 days or less – payment of 50 basis points.
 - Debt issued for 180-364 days – payment of 75 basis points.
 - Debt issued for over a year – payment of 100 basis points.
- Non-interest bearing transaction account program: Under the final rule, NOW accounts with interest rate of ½% or less and IOLTAs are included in the program.
- Current risk rating for senior, unsecured debt of 20% was retained.

The Roundtable issued a [press release](#) on the final rule.

For more information, please contact Melissa Netram, Melissa@fsround.org.

Roundtable Submits Comments to FDIC on Premium Assessments

The Roundtable submitted comments to the FDIC on its [rule proposal](#), which would amend the system for risk-based assessments and change assessment rates. Although comments on the proposed rule were originally due by November 17, the FDIC [extended the comment period](#) to December 17 for all portions of the rule proposal except for the proposed seven basis point uniform increase in existing assessment rates for the first quarter of 2009.

In our comments, the Roundtable raised concerns about the high cost of recent bank failures, the high loss ratio in these failures, and the consequent cost of recent bank failures to the banking industry, through higher deposit-insurance assessments. The Roundtable urged the FDIC and the other bank regulatory agencies to take the steps necessary to substantially reduce insolvency losses, and the consequent loss percentage, in failed banks, which could potentially reduce the \$40 billion insolvency-loss projection the FDIC has forecast for the 2008-2013 period.

The Roundtable is working with our members to draft comments on the remaining issues within the proposed regulations for the December 17 due date.

For questions on this issue, please contact Melissa Netram at Melissa@fsround.org.



Flexibility Added to HOPE for Homeowners Program

On Wednesday, November 19, 2008, HUD Secretary Steve Preston announced that the HOPE for Homeowners (H4H) Board of Directors approved changes to the program to help more distressed borrowers qualify and to make the program more attractive for lenders. The revisions address a number of the suggestions made by the Housing Policy Council, including: increasing the loan to value ratio (LTV) to 96.5 percent for some H4H loans; allowing a higher debt to income ratio of 38 and 50 percent for borrowers; allowing up-front payments to second lienholders; and permitting lenders to extend mortgage terms from 30 to 40 years to enable more borrowers to qualify.

For more information, please contact Paul Leonard, Paul@fsround.org.

HOPE NOW Announces New Streamline Modification Program

HOPE NOW, the private sector alliance of mortgage servicers, non-profits, counselors, and investors announced that, working with the U.S. Treasury, the Federal Housing Finance Agency, Fannie Mae, Freddie Mac, and a number of major mortgage loan servicers, it has developed a new program that will make it easier and faster for the most at-risk homeowners to modify their mortgages and stay in their homes. The "Streamlined Modification Plan" (SMP) will be implemented by December 15, 2008. Under the new SMP, lenders will use an expedited process to modify, or restructure, a mortgage so that the homeowner can afford the monthly payments. The streamlined process will apply to at-risk borrowers who are 90 days or more late on their existing mortgages and whose loans are owned by Freddie Mac, FNMA or participating balance sheet lenders/servicers.

For more information, please contact Larry Gilmore, Larry@fsround.org.

HOPE NOW in Houston

Members of the HOPE NOW Alliance were in Houston, Texas last Saturday, November 15 to help borrowers who are in trouble with their mortgage. Over 950 borrowers attended the event which was held in conjunction with Joel Osteen's Ministry. Since being formed in October 2007, the HOPE NOW Alliance has held over twenty homeowner outreach events across the country, counseling nearly 12,000 borrowers face to face to enable them to stay in their homes.

For more information, please contact Larry Gilmore, Larry@fsround.org.



FDIC Issues Guidance on Payment Processors

On November 7, the Federal Deposit Insurance Corporation (FDIC) issued Guidance on Payment Processor Relationships

(FIL-127-2008). The guidance is similar to OCC Bulletin 2008-12, Guidance on Payment Processors. Both documents urge financial institutions to verify the legitimacy of the payment processor's business operations and monitor payment processor relationships for suspicious activity. The FDIC document includes additional guidance on due diligence and processor approval process, underwriting, and the evolving legal framework for remotely created checks.

For more information, please contact John Carlson, John@fsround.org.

OCC Briefing

On November 19, John Carlson, Senior VP of Regulatory Affairs for BITS, briefed the Office of the Comptroller of the Currency's (OCC) Bank Information Technology examiners on current and emerging technology risks and BITS activities. OCC staff indicated that the list of current and emerging technology risks is consistent with their list. Discussion included:

- How "bust outs" are detected and institutions are responding to them;
- How organized crime is perpetrating fraud against institutions and customers;
- How vendor management experts are managing outsourcing risks; and
- Whether the deteriorating economic situation is affecting spending on operational risk controls and involved in BITS

OCC staff also indicated that it is preparing papers on emerging technology issues that it would like to discuss with members. These papers are not supervisory guidance or regulations, but overviews of developments and emerging concerns. A copy of the presentation is available on the members-only portion of the BITS website.

For more information, please contact John Carlson, John@fsround.org.

ChicagoFIRST Reaches Five-Year Anniversary

ChicagoFIRST recognized its five-year anniversary this week. ChicagoFIRST has been a model for public-private sector collaboration, including facilitating the creation of other regional coalitions, championing efforts to develop government-issued credentials, and bringing together key firms and government agencies to address common business continuity issues.

For more information, please contact John Carlson, John@fsround.org.



CUNA endorses ITAC Sentinel®

ITAC announced that CUNA Strategic Services has endorsed ITAC Sentinel® - the only identity protection service that includes ITAC victim assistance – for its credit union members.

ITAC has helped more than 45,000 consumers recover from identity theft but, until ITAC Sentinel was introduced, the victim assistance service was available only to customers of ITAC members. "This goes a long way to achieving the goal of making ITAC victim assistance available to all consumers and protecting them from identity theft," said ITAC President Anne Wallace. "By offering customers and employees ITAC Sentinel, you give them a great service and help support ITAC's fight against identity theft."

Wes Millar, Senior Vice President of CUNA Strategic Services, said, "During our search for a comprehensive identity theft solution, we were impressed not only by the product, but also by ITAC's work with law enforcement on the back end to catch and convict identity thieves."

For more information, please contact Anne Wallace, Anne@fsround.org.

Other



“Simplifying Regulation for Agents and Brokers...”

Agents for Change in New York City

Agents for Change made a presentation at a local Prudential Financial agency in Manhattan on November 20. Participants spoke about developments in Washington D.C. relating to the issue of insurance regulation reform. Including recruits from this meeting, Agents for Change is approaching 6,700 members across all lines of insurance.

As the planning season is among us, please consider inviting Agents for Change to speak with your producers about the benefits of an optional federal charter (OFC). And, if you support an OFC and are not a member company of Agents for Change, we welcome your support. This issue is poised to receive a significant amount of attention in the 111th Congress.

Agents for Change will be holding our winter board meeting on December 9 from 2:00 – 3:30 pm. The meeting will be held via conference call. Please let Peter Ludgin (contact info below) know if you are interested in participating.

Accomplishments in 2008 include: a 45 percent increase in membership; 55 meetings on Capitol Hill and 17 very effective in-district meetings; exhibits at six trade shows; eight speaking engagements; seating a new Chairman and four board members, and; logging our 150,000 website hit.

In 2009, Agents for Change has four goals: secure OFC bill reintroduction and co-sponsors; host additional Congressional meetings for agents and brokers; continue to grow our membership, and; sponsor issue ads in local newspapers signed by insurance producers.

Membership in Agents for Change includes producers in 50 states, the District of Columbia, Puerto Rico, and Guam. Members learn about Agents for Change at trade shows, by word of mouth, via the press and our website, and through member companies.

Visit the Agents for Change website – www.agents4change.net – for additional information, updates, background material, FAQ's, and more. To receive periodic e-mail updates from Agents for Change please contact Peter Ludgin, Peter@agents4change.net, 202-589-1929.

THE FINANCIAL SERVICES ROUNDTABLE



COMMUNITY SERVICE 2008

FOCUS: FINANCIAL EDUCATION

Co-Chairs: Richard K. Davis, U.S. Bancorp • Don J. McGrath, BancWest Corporation

CS08 Impact Reports Coming Soon

CS08 Impact Reports will be delivered in the coming weeks. If you have questions regarding CS08, please visit www.financialcommunityservice.org or contact Aleksia Ilic, Aleksia@fsround.org.

Roundtable Calendar

Date	What	Where	Contact
December 2, 2008	Government Affairs Holiday Party	Roundtable Offices, Washington, D.C.	Brenda Bowen, Brenda@fsround.org
January 20, 2009	FSR Presidential Inauguration Party	Roundtable Offices, Washington, D.C.	Formal invitations coming soon
January 22, 2009	GAC Meeting	Roundtable Offices, Washington, D.C.	Brenda Bowen, Brenda@fsround.org
January 29, 2009	CEO Forum	Roundtable Offices, Washington, D.C.	Sharon Salter, Sharon@fsround.org

The Mission of The Financial Services Roundtable:

To be the premier executive forum of the financial services industry.

To provide powerful legislative and regulatory advocacy.

To enhance the industry's reputation.

Led by BITS, to promote best practices and a strong infrastructure in technology.