STATE OF NEW YORK
OFFICE OF THE ATTORNEY GENERAL

ERIC T. SCHNEIDERMAN
ATTORNEY GENERAL

JOSHUA PEPPER
RECORDS ACCESS OFFICER
ASSISTANT ATTORNEY GENERAL

May 23, 2011

Mr. Justin McCarthy
Judicial Watch
425 Third Street, SW, Suite 800
Washington, DC 20024

RE: Freedom of Information Law (FOIL) Request # 110200

Dear Mr. McCarthy:

This letter responds to your correspondence dated May 13, 2011, regarding the above-referenced FOIL request. We have received your check in the amount of $36.25.

Enclosed are documents numbered 110200-1 through 110200-150 that respond to your request.

This FOIL request is now closed.

Sincerely,

Joshua Pepper

Joshua Pepper
Assistant Attorney General

Enclosures

From: Jennifer Peacock <Jennifer.Peacock@ag.tn.gov>
To: "Chambers, Joseph J." <Joseph.Chambers@ct.gov>, "Lehman, Philip" <Plehma...
Date: 3/21/2011 10:39 AM
Subject: The War on Warren

Paul Krugman's op-ed piece about Elizabeth Warren.

http://www.nytimes.com/2011/03/21/opinion/21krugman.html?_r=1&nl=todaysheadlines&emc=tha212

-----Original Message-----
From: Chambers, Joseph J. [mailto:Joseph.Chambers@ct.gov]
Sent: Saturday, March 19, 2011 12:12 PM
To: Lehman, Philip; Madigan, Patrick [AG]; Budzik, Matthew J.; Abundis, Cecelia; Alestra, Mary ; Anderson, Kevin; Azia, Jane; John J. Baroni; Bischoff, Richard; Bleicken, David ; Boggs, Paige; Butler, Victoria; Choe, Susan; Conners, Trish; Crossland, Brian; Daross, Jim; Daugherty, Laura; DeBastiani, Donald ; Dethmers, Jennifer; Diehl, Ben; Ellis, Susan; Hagan, Debby ; Hartzell, Adam; Jeff Hill; Hoffman, Sherry; Huey, Dave; James, Tom; Keiser, James ; Lefkon, Owen; Levine, Laura ; Loeser, Jeff; Matthews, Carolyn ; McCallin, Andy; McConnel, Ian; Norris, Jack; Norton, Anne; Palmer, Scott ; Jennifer Peacock; Powell, Jeffrey; Sears, Kate; Shorbe, Jeremy ; Slemp, Greg; Stretch, Cara; Sugarman, James; Velasco, Vivian; Wrone, Steve; Zavislan, Jan; Zurn, Morgan
Subject: RE: Draft Executive Summary

I think the Draft Exec Summary looks great and hope it gets sent in letter form to all AG's very soon.

Check out today's NYT article on the "pinata" a/k/a Elizabeth Warren:

http://www.nytimes.com/2011/03/19/business/economy/19nocera.html?_r=1&hp

Jeffrey Powell - RE: Call with Elizabeth Warren

From: "Madigan, Patrick [AG]" <Patrick.Madigan@iowa.gov>
To: "Madigan, Patrick [AG]" <Patrick.Madigan@iowa.gov>, "Abundis, Cecelia" <Cabundis@atg.state.il.us>, "Alestra, Mary " <Mary.Alestra@ag.ny.gov>, "Anderson, Kevin " <Kander@ncdoj.gov>, "Azia, Jane" <Jane.Azia@banking.state.ny.us>, "Baroni, John " <John.Baroni@ag.tn.gov>, "Bischoff, Richard" <Richard.Bischoff@oag.state.tx.us>, "Bleicken, David " <Dbleicken@state.pa.us>, "Boggs, Paige" <EBoggs@atg.state.il.us>, "Budzik, Matt" <Matthew.Budzik@ct.gov>, "Butler, Victoria" <Victoria.Butler@myfloridalegal.com>, "Chambers, Joseph" <Joseph.Chambers@ct.gov>, "Choe, Susan" <Susan.choe@ohioattorneygeneral.gov>, "Conners, Trish" <Trish.Conners@myfloridalegal.com>, "Crossland, Brian" <Bcrossland@state.pa.us>, "Daross, Jim" <James.Daross@oag.state.tx.us>, "Daugherty, Laura" <Laura.Daugherty@myfloridalegal.com>, "DeBastiani, Donald " <Ddebastian@state.pa.us>, "Dethmers, Jennifer" <Jennifer.Dethmers@state.co.us>, "Diehl, Ben" <Benjamin.Diehl@doj.ca.gov>, "Ellis, Susan" <Sellis@atg.state.il.us>, "Hagan, Debby " <Dhagan@atg.state.il.us>, "Hartzell, Adam " <AHartzell@ncdoj.gov>, "Hill, Jeff" <Jeff.Hill@ag.tn.gov>, "Hoffman, Sherry" <Sherry.Hoffman@state.de.us>, "Huey, Dave" <DavidH3@atg.wa.gov>, "James, Tom" <TJames@atg.state.il.us>, "Keiser, James " <Jkeiser@state.pa.us>, "Lehman, Phil " <Plehman@ncdoj.gov>, "Levine, Laura " <Laura.Levine@ag.ny.gov>, "Loeser, Jeff" <Jloeser@ag.state.oh.us>, "Matthews, Carolyn " <Carolyn.Matthews@azag.gov>, "McCallin, Andy" <Andrew.McCallin@state.co.us>, "McConnel, Ian" <Ian.McConnel@state.de.us>, "Norris, Jack" <Jack.Norris@myfloridalegal.com>, "Norton, Anne" <Anorton@dllr.state.md.us>, "Palmer, Scott " <Scott.Palmer@myfloridalegal.com>, "Peacock, Jennifer " <Jennifer.Peacock@ag.tn.gov>, "Powell, Jeffrey" <Jeffrey.Powell@ag.ny.gov>, "Sears, Kate" <Kathrin.Sears@doj.ca.gov>, "Slemp, Greg" <Greg.Slemp@myfloridalegal.com>, "Stretch, Cara" <Cstretch@dllr.state.md.us>, "Sugarman, James" <Jamess6@atg.wa.gov>, "Velasco, Vivian" <VVelasco@atg.state.il.us>, "Wrone, Steve" <Swrone@atg.state.il.us>, "Zavislan, Jan" <Jan.Zavislan@state.co.us>, "Zurn, Morgan" <Morgan.Zurn@state.de.us>
Date: 2/25/2011 12:39 PM
Subject: RE: Call with Elizabeth Warren

The votes are in. The vast majority prefer a call today. I will let CFPB know.

From: Madigan, Patrick [AG]
Sent: Friday, February 25, 2011 11:25 AM
To: Abundis, Cecelia; Alestra, Mary ; Anderson, Kevin ; Azia, Jane; Baroni, John ; Bischoff, Richard; Bleicken, David ; Boggs, Paige; Budzik, Matt; Butler, Victoria; Chambers, Joseph; Choe, Susan; Conners, Trish; Crossland, Brian; Daross, Jim; Daugherty, Laura; DeBastiani, Donald ; Dethmers, Jennifer; Diehl, Ben; Ellis, Susan; Hagan, Debby ; Hartzell, Adam ; Hill, Jeff; Hoffman, Sherry; Huey, Dave; James, Tom; Keiser, James ; Lehman, Phil ; Levine, Laura ; Loeser, Jeff; Madigan, Patrick [AG]; Matthews, Carolyn ; McCallin, Andy; McConnel, Ian; Norris, Jack; Norton, Anne; Palmer, Scott ; Peacock, Jennifer ; Powell, Jeffrey; Sears, Kate; Slemp, Greg; Stretch, Cara; Sugarman, James; Velasco, Vivian; Wrone, Steve; Zavislan, Jan; Zurn, Morgan
Subject: Call with Elizabeth Warren
Importance: High

All,

Elizabeth Warren would like to present the CFPB's view on loan modifications to the entire EC. There has been a proposal to do it TODAY at 3:00 Central. Realizing that this is very short notice, and in order to maximize participation, I would like to push it to Monday. I need feedback ASAP.

Thank you,

Patrick Madigan
Assistant Attorney General
Iowa Attorney General's Office
1305 E. Walnut St.
Des Moines, IA 50319
Phone: (515) 281-4250
Fax: (515) 281-6771

Jeffrey Powell - Call with Elizabeth Warren

From: "Madigan, Patrick [AG]" <Patrick.Madigan@iowa.gov>
To: "Abundis, Cecelia" <Cabundis@atg.state.il.us>, "Alestra, Mary " <Mary.Alestra@ag.ny.gov>, "Anderson, Kevin " <Kander@ncdoj.gov>, "Azia, Jane" <Jane.Azia@banking.state.ny.us>, "Baroni, John " <John.Baroni@ag.tn.gov>, "Bischoff, Richard" <Richard.Bischoff@oag.state.tx.us>, "Bleicken, David " <Dbleicken@state.pa.us>, "Boggs, Paige" <EBoggs@atg.state.il.us>, "Budzik, Matt" <Matthew.Budzik@ct.gov>, "Butler, Victoria" <Victoria.Butler@myfloridalegal.com>, "Chambers, Joseph" <Joseph.Chambers@ct.gov>, "Choe, Susan" <Susan.choe@ohioattorneygeneral.gov>, "Conners, Trish" <Trish.Conners@myfloridalegal.com>, "Crossland, Brian" <Bcrossland@state.pa.us>, "Daross, Jim" <James.Daross@oag.state.tx.us>, "Daugherty, Laura" <Laura.Daugherty@myfloridalegal.com>, "DeBastiani, Donald " <Ddebastian@state.pa.us>, "Dethmers, Jennifer" <Jennifer.Dethmers@state.co.us>, "Diehl, Ben" <Benjamin.Diehl@doj.ca.gov>, "Ellis, Susan" <Sellis@atg.state.il.us>, "Hagan, Debby " <Dhagan@atg.state.il.us>, "Hartzell, Adam " <AHartzell@ncdoj.gov>, "Hill, Jeff" <Jeff.Hill@ag.tn.gov>, "Hoffman, Sherry" <Sherry.Hoffman@state.de.us>, "Huey, Dave" <DavidH3@atg.wa.gov>, "James, Tom" <TJames@atg.state.il.us>, "Keiser, James " <Jkeiser@state.pa.us>, "Lehman, Phil " <Plehman@ncdoj.gov>, "Levine, Laura " <Laura.Levine@ag.ny.gov>, "Loeser, Jeff" <Jloeser@ag.state.oh.us>, "Madigan, Patrick [AG]" <Patrick.Madigan@iowa.gov>, "Matthews, Carolyn " <Carolyn.Matthews@azag.gov>, "McCallin, Andy" <Andrew.McCallin@state.co.us>, "McConnel, Ian" <Ian.McConnel@state.de.us>, "Norris, Jack" <Jack.Norris@myfloridalegal.com>, "Norton, Anne" <Anorton@dllr.state.md.us>, "Palmer, Scott " <Scott.Palmer@myfloridalegal.com>, "Peacock, Jennifer " <Jennifer.Peacock@ag.tn.gov>, "Powell, Jeffrey" <Jeffrey.Powell@ag.ny.gov>, "Sears, Kate" <Kathrin.Sears@doj.ca.gov>, "Slemp, Greg" <Greg.Slemp@myfloridalegal.com>, "Stretch, Cara" <Cstretch@dllr.state.md.us>, "Sugarman, James" <Jamess6@atg.wa.gov>, "Velasco, Vivian" <VVelasco@atg.state.il.us>, "Wrone, Steve" <Swrone@atg.state.il.us>, "Zavislan, Jan" <Jan.Zavislan@state.co.us>, "Zurn, Morgan" <Morgan.Zurn@state.de.us>
Date: 2/25/2011 12:24 PM
Subject: Call with Elizabeth Warren

All,

Elizabeth Warren would like to present the CFPB's view on loan modifications to the entire EC. There has been a proposal to do it TODAY at 3:00 Central. Realizing that this is very short notice, and in order to maximize participation, I would like to push it to Monday. I need feedback ASAP.

Thank you,

Patrick Madigan
Assistant Attorney General
Iowa Attorney General's Office
1305 E. Walnut St.
Des Moines, IA 50319
Phone: (515) 281-4250
Fax: (515) 281-6771

From: "McPherson, James" <jmcpherson@NAAG.ORG>
To: "McPherson, James" <jmcpherson@NAAG.ORG>
CC: "Cuevas, Dennis" <DCUEVAS@NAAG.ORG>, "Tinkle, Blair" <BTINKLE@NAAG.ORG>,...
Date: 12/10/2009 3:45 PM
Subject: CONSUMER FINANCIAL PROTECTION AGENCY (CFPA) - PRREMPTION UPDATE
Attachments: manager_01_xml.pdf

THIS IS BEING SENT TO ALL ATTORNEYS GENERAL, CHIEF DEPUTIES, AND EXECUTIVE ASSISTANTS

Ladies and Gentlemen,

Attorney General Tom Miller asked that I forward to you a copy of the attached Manager's Amendment to the CFPA and the following note:

The issues of preemption and state enforcement authority regarding the CFPA have been resolved in the House of Representatives by a compromise that was negotiated last night. The compromise is contained in the Manager's Amendment (attached). The relevant language starts on page 139.

Calls to Members of Congress are no longer necessary since the compromise means that neither the Watt/Frank amendment nor the Bean amendment will be voted on. We are currently analyzing the rather complicated compromise and will send an analysis as soon as it is available.

Point of Contact in General Miller's Office is Patrick Madigan at pmadiga@ag.state.ia.us.

V/R

Jim

James E. McPherson

Executive Director

National Association of Attorneys General

2030 M St. N.W., 8th Floor

Washington D.C. 20036

202.326.6260

jmcpherson@naag.org <mailto:jmcpherson@naag.org>

www.naag.org

From: "Dan Geldon" <dgeldon@rooseveltinstitute.org>
To: <joy.feigenbaum@oag.state.ny.us>
Date: 9/15/2009 1:10 PM
Subject: Chat with Elizabeth Warren

Hi Joy,

I work for Elizabeth Warren on financial regulatory reform issues. As you may know, Elizabeth is a law professor at Harvard, the Chair of the TARP Congressional Oversight Panel, and, a couple years ago, initially developed the idea for a new Consumer Financial Protection Agency, which President Obama is now pushing as part of his reform package. He spoke about these issues yesterday in New York.

Professor Warren was wondering if you would have any interest in chatting with her about regulatory reform or if we can be a resource in any way. The state AG offices have been very helpful with CFPA-related issues, and we'd love to talk to you about how you might be able to play a role or to see what questions you might have.

If this is something you might be interested in, feel free to reply to this email or call me at 301-938-9589.

Many thanks,

Dan

Jeffrey Powell - Federal consumer bureau details plans for states

From: Jennifer Peacock <Jennifer.Peacock@ag.tn.gov>
To: "Abundis, Cecelia" <Cabundis@atg.state.il.us>, "Alestra, Mary" <Mary.Alestra@ag.ny.gov>, "Anderson, Kevin" <Kander@ncdoj.gov>, "Azia, Jane" <Jane.Azia@banking.state.ny.us>, "Bischoff, Richard" <Richard.Bischoff@oag.state.tx.us>, "Bleicken, David" <Dbleicken@state.pa.us>, "Boggs, Paige" <EBoggs@atg.state.il.us>, "Budzik,Matt" <Matthew.Budzik@ct.gov>, "Butler, Victoria" <Victoria.Butler@myfloridalegal.com>, "Chambers, Joseph" <Joseph.Chambers@ct.gov>, "Choe, Susan" <Susan.choe@ohioattorneygeneral.gov>, "Connors, Trish" <Trish.Conners@myfloridalegal.com>, "Crossland, Brian" <Bcrossland@state.pa.us>, "Daross, Jim" <James.Daross@oag.state.tx.us>, "Daugherty, Laura" <Laura.Daugherty@myfloridalegal.com>, "DeBastiani, Donald" <Ddebastian@state.pa.us>, "Dethmers, Jennifer" <Jennifer.Dethmers@state.co.us>, "Diehl, Ben" <Benjamin.Diehl@doj.ca.gov>, "Ellis, Susan" <Sellis@atg.state.il.us>, "Hagan, Deborah" <DHagan@atg.state.il.us>, "Hartzell, Adam" <AHartzell@ncdoj.gov>, "Hoffman,Sherry" <Sherry.Hoffman@state.de.us>, "Huey, Dave" <DavidH3@atg.wa.gov>, "James, Tom" <TJames@atg.state.il.us>, Jeff Hill <Jeff.Hill@ag.tn.gov>, "John J. Baroni" <John.Baroni@ag.tn.gov>, "Keiser, James" <Jkeiser@state.pa.us>, "Lefkon, Owen" <Owen.Lefkon@state.de.us>, "Lehman,Phil" <Plehman@ncdoj.gov>, "Levine, Laura" <Laura.Levine@ag.ny.gov>, "Loeser, Jeff" <Jloeser@ag.state.oh.us>, "Madigan, Patrick" <Patrick.Madigan@iowa.gov>, "Matthews, Carolyn" <Carolyn.Matthews@azag.gov>, "McCallin, Andy" <Andrew.McCallin@state.co.us>, "McConnel, Ian" <Ian.McConnel@state.de.us>, "Norris, Jack" <Jack.Norris@myfloridalegal.com>, "Norton, Anne" <Anorton@dllr.state.md.us>, "Palmer, Scott" <Scott.Palmer@myfloridalegal.com>, "Powell, Jeffrey" <Jeffrey.Powell@ag.ny.gov>, "Sears, Kate" <Kathrin.Sears@doj.ca.gov>, "Shorbe, Jeremy" <Jeremy.Shorbe@azag.gov>, "Slemp, Greg" <Greg.Slemp@myfloridalegal.com>, "Stretch, Cara" <Cstretch@dllr.state.md.us>, "Sugarman, James" <Jamess6@atg.wa.gov>, "Velasco, Vivian" <VVelasco@atg.state.il.us>, "Wrone, Steve" <Swrone@atg.state.il.us>, "Zavislan, Jan" <Jan.Zavislan@state.co.us>
Date: 4/11/2011 12:21 PM
Subject: Federal consumer bureau details plans for states

http://www.marketwatch.com/story/federal-consumer-bureau-details-plans-for-states-2011-04-11

April 11, 2011, 11:33 a.m. EDT

Federal consumer bureau details plans for states

Consumer agency and attorney generals to train together: Warren

By Ronald D. Orol , **MarketWatch**

WASHINGTON (MarketWatch) — Branded by Republicans as having undue influence in bank foreclosure settlement talks, the top Obama Administration adviser on a new consumer protection bureau on Monday detailed the ways the new agency will work with states to enforce laws.

"Collaboration between the consumer bureau and the attorneys general offers tremendous promise," Special

Advisor to the Treasury Elizabeth Warren told a gathering of attorneys general in Charlotte, N.C. "By working together, we can make the whole greater than the sum of our parts."

Warren's comments come as top House Republicans have expressed concern about her participation in ongoing mortgage settlement talks between bank regulators, financial institutions and attorneys general over shortcomings in how banks handled foreclosures. Read about settlement talks with banks over foreclosures

Reuters

Consumer Financial Protection Bureau Advisor Elizabeth Warren

She is assigned with setting up a Consumer Financial Protection Bureau, or CFPB, charged with writing rules for mortgages and other credit products. The Obama administration hasn't nominated the bureau's first director yet.

GOP lawmakers on the House Financial Services Committee and Warren clashed at a recent hearing over the level of her involvement in the settlement talks between regulators and large financial institutions. Bank regulators are expected to announce a settlement with banks in the coming days, but a broader deal between the institutions and attorneys general is still months away.

Warren did not mention the settlement talks in her prepared remarks, but she discussed a broader partnership between the new consumer bureau and attorneys general. The sweeping post-crisis Dodd-Frank Act creates the consumer bureau. It also empowers attorneys general to enforce regulations that the consumer agency writes.

She talked about how the CFPB will develop joint training programs with AGs, share information on developments in state and federal laws and develop new communications channels. She said the two groups will also coordinate collecting, investigations and responding to consumer complaints.

"Moving forward, consistent and effective enforcement of consumer financial laws will require our sustained collaboration," Warren said.

Warren didn't comment on whether she was working with the attorneys general in settlement talks after revelations about foreclosure-documentation errors at big banks and a stalled application process for many troubled borrowers seeking to modify their mortgages.

However, she argued that the attorneys general were the first to identify the problems.

"None of us should ever forget that attorneys general were among the first to sound the alarms that foreclosure processes were riddled with flaws – long before the stories of robo-signing and false affidavits began to appear in headlines across the country, and even longer before the nation's chief banking regulator concluded that the practices violated both state and local laws and damaged the mortgage market and the larger economy," she said.

Jeffrey Powell - RE: Judicial Watch Public Records Request re CFPB and Warren

From: "Hagan, Deborah" <DHagan@atg.state.il.us>
To: "'James Daross'" <james.daross@oag.state.tx.us>, Jeffrey Powell <Jeffrey.Powell@ag.ny.gov>, Laura Levine <Laura.Levine@ag.ny.gov>, MaryAlestra <Mary.Alestra@ag.ny.gov>, Jeff Loeser <Jloeser@ag.state.oh.us>, JeffHill <Jeff.Hill@ag.tn.gov>, Jennifer Peacock <Jennifer.Peacock@ag.tn.gov>, "John J. Baroni" <John.Baroni@ag.tn.gov>, "Abundis, Cecilia" <cabundis@atg.state.il.us>, "Boggs, Elizabeth" <EBoggs@atg.state.il.us>, "Ellis, Susan" <sellis@atg.state.il.us>, "Wrone, Steve" <swrone@atg.state.il.us>, "James, Thomas P." <TJames@atg.state.il.us>, "Velasco, Vivian" <VVelasco@atg.state.il.us>, Dave Huey <DavidH3@ATG.WA.GOV>, James Sugarman <Jamess6@ATG.WA.GOV>, Carolyn Matthews <Carolyn.Matthews@azag.gov>, Jeremy Shorbe <Jeremy.Shorbe@azag.gov>, JaneAzia <Jane.Azia@banking.state.ny.us>, Joseph Chambers <Joseph.Chambers@ct.gov>, Matt Budzik <Matthew.Budzik@ct.gov>, Anne Norton <Anorton@dllr.state.md.us>, Cara Stretch <Cstretch@dllr.state.md.us>, BenDiehl <Benjamin.Diehl@doj.ca.gov>, Kate Sears <Kathrin.Sears@doj.ca.gov>, Patrick Madigan <Patrick.Madigan@iowa.gov>, Greg Slemp <Greg.Slemp@myfloridalegal.com>, Jack Norris <Jack.Norris@myfloridalegal.com>, Laura Daugherty <Laura.Daugherty@myfloridalegal.com>, Scott Palmer <Scott.Palmer@myfloridalegal.com>, Trish Connors <Trish.Conners@myfloridalegal.com>, Victoria Butler <Victoria.Butler@myfloridalegal.com>, Adam Hartzell <AHartzell@ncdoj.gov>, Kevin Anderson <Kander@ncdoj.gov>, Phil Lehman <Plehman@ncdoj.gov>, RichardBischoff <richard.bischoff@oag.state.tx.us>, Susan Choe <Susan.choe@ohioattorneygeneral.gov>, Andy McCallin <Andrew.McCallin@state.co.us>, Jan Zavislan <Jan.Zavislan@state.co.us>, Jennifer Dethmers <Jennifer.Dethmers@state.co.us>, Ian McConnel <Ian.McConnel@state.de.us>, Morgan Zurn <Morgan.Zurn@state.de.us>, OwenLefkon <Owen.Lefkon@state.de.us>, Sherry Hoffman <Sherry.Hoffman@state.de.us>, Brian Crossland <Bcrossland@state.pa.us>, DavidBleicken <Dbleicken@state.pa.us>, Donald DeBastiani <Ddebastian@state.pa.us>, James Keiser <Jkeiser@state.pa.us>
Date: 4/1/2011 5:17 PM
Subject: RE: Judicial Watch Public Records Request re CFPB and Warren

We received it.

Deborah Hagan
Chief, Consumer Protection Division
Illinois Attorney General's Office
217-782-9021

312-814-3749

From: James Daross [mailto:james.daross@oag.state.tx.us]
Sent: Friday, April 01, 2011 4:12 PM
To: Jeffrey Powell; Laura Levine; Mary Alestra; Jeff Loeser; Jeff Hill; Jennifer Peacock; John J. Baroni; Abundis,

Cecilia; Hagan, Deborah; Boggs, Elizabeth; Ellis, Susan; Wrone, Steve; James, Thomas P.; Velasco, Vivian; Dave Huey; James Sugarman; Carolyn Matthews; Jeremy Shorbe; Jane Azia; Joseph Chambers; Matt Budzik; Anne Norton; Cara Stretch; Ben Diehl; Kate Sears; Patrick Madigan; Greg Slemp; Jack Norris; Laura Daugherty; Scott Palmer; Trish Connors; Victoria Butler; Adam Hartzell; Kevin Anderson; Phil Lehman; Richard Bischoff; Susan Choe; Andy McCallin; Jan Zavislan; Jennifer Dethmers; Ian McConnel; Morgan Zurn; Owen Lefkon; Sherry Hoffman; Brian Crossland; David Bleicken; Donald DeBastiani; James Keiser
Subject: Re: Judicial Watch Public Records Request re CFPB and Warren

We also received a request from Judicial Watch, which I believe is identical to the one sent to Tennessee. Has anyone else gotten it? Here is the text:

RE: Records of Meetings and Communications with Elizabeth Warren

...Ms. Warren announced on December 2, 2010, at the Consumer Federation of Amercia (CFA) Financial Services Conference that earlier that week she had gone 'to Florida to meet with the Attorney Generals from across the country.' Hence, pursuant to the provisions of the Texas Public Infomraiton Act, as codified at Chapter 552 of the Texas Government Code, Judicial Watch requests that your office produce the following within ten (10) business days:

1. Any and all communications, contacts, and correspondence concerning, referring to, or relating to any and all meetings with CFPB, including but not limited to Elizabeth Warren and her staff;

2. Any and all records of communications, contacts, and correspondence - including but not limited to phone logs - concerning, referring to, or relating to any and all meetings with CFPB, including but not limited to Elizabeth Warren and her staff;

3. Any and all notes, minutes, agendas, menus, programs, presentations - whether displayed, disseminated, or distributed in print or electronic form - concerning, referring to, or relating to any and all meeting with CFPB, including but not limited to Elizabeth Warren and her staff;

4. Any and all travel itineraries for trips or transporation of any kind concerning, referring to, or relating to any and all meetings with CFPB, including but not limited to Elizabeth Warren and her staff; and,

5. Any and all expense reports of any kind concerning, referring to, or relating to any and all meetings with CFPB, including but not limited to Elizabeth Warren and her staff.

The time frame for this request is from August 1, 2010 through the present."

Lisette Garcia
Judicial Watch
425 Third St., SW, Ste. 800
Washinton, DC 20024

James A. Daross
Assistant Attorney General
Consumer Protection and Public Health Division
Office of the Attorney General of Texas
401 E. Franklin Ave., Suite 530

El Paso, Texas 79901
(915) 834-5801
(915) 542-1546 FAX

This memorandum may be confidential and/or privileged pursuant to Texas Government Code Sections 552.101, 552.103, 552.107 & 552.111, and should not be disclosed without the express authorization of the Attorney General. >>> Jennifer Peacock <Jennifer.Peacock@ag.tn.gov> 4/1/2011 1:06 PM >>>
Heads up - our front office received the attached public records request from Judicial Watch regarding CFPB and Elizabeth Warren.

Jenni Peacock
Assistant Attorney General
Consumer Advocate and Protection Division
Office of the Tennessee Attorney General
425 Fifth Avenue North (37243-3400)
P.O. Box 20207
Nashville, Tennessee 37202-0207
Telephone: 615.741.3108
Facsimile: 615.532.2910
jennifer.peacock@ag.tn.gov

Jeffrey Powell - Re: FW: Judicial Watch Public Records Request re CFPB andWarren

From: "James Daross" <james.daross@oag.state.tx.us>

To: "Jeffrey Powell" <Jeffrey.Powell@ag.ny.gov>, "Laura Levine" <Laura.Levine@ag.ny.gov>, "Mary Alestra" <Mary.Alestra@ag.ny.gov>, "Jeff Loeser" <Jloeser@ag.state.oh.us>, "Jeff Hill" <Jeff.Hill@ag.tn.gov>, "Jennifer Peacock" <Jennifer.Peacock@ag.tn.gov>, "John J. Baroni" <John.Baroni@ag.tn.gov>, "Cecelia Abundis" <Cabundis@atg.state.il.us>, "Deborah Hagan" <DHagan@atg.state.il.us>, "Paige Boggs" <EBoggs@atg.state.il.us>, "Susan Ellis" <Sellis@atg.state.il.us>, "Steve Wrone" <Swrone@atg.state.il.us>, "Tom James" <TJames@atg.state.il.us>, "Vivian Velasco" <VVelasco@atg.state.il.us>, "Dave Huey" <DavidH3@atg.wa.gov>, "James Sugarman" <Jamess6@atg.wa.gov>, "Carolyn Matthews" <Carolyn.Matthews@azag.gov>, "Jeremy Shorbe" <Jeremy.Shorbe@azag.gov>, "Jane Azia" <Jane.Azia@banking.state.ny.us>, "Joseph Chambers" <Joseph.Chambers@ct.gov>, "Matt Budzik" <Matthew.Budzik@ct.gov>, "Anne Norton" <Anorton@dllr.state.md.us>, "Cara Stretch" <Cstretch@dllr.state.md.us>, "Ben Diehl" <Benjamin.Diehl@doj.ca.gov>, "Kate Sears" <Kathrin.Sears@doj.ca.gov>, "Patrick Madigan" <Patrick.Madigan@iowa.gov>, "Greg Slemp" <Greg.Slemp@myfloridalegal.com>, "Jack Norris" <Jack.Norris@myfloridalegal.com>, "Laura Daugherty" <Laura.Daugherty@myfloridalegal.com>, "Scott Palmer" <Scott.Palmer@myfloridalegal.com>, "Trish Connors" <Trish.Conners@myfloridalegal.com>, "Victoria Butler" <Victoria.Butler@myfloridalegal.com>, "Adam Hartzell" <AHartzell@ncdoj.gov>, "Kevin Anderson" <Kander@ncdoj.gov>, "Phil Lehman" <Plehman@ncdoj.gov>, "Richard Bischoff" <richard.bischoff@oag.state.tx.us>, "Susan Choe" <Susan.choe@ohioattorneygeneral.gov>, "Andy McCallin" <Andrew.McCallin@state.co.us>, "Jan Zavislan" <Jan.Zavislan@state.co.us>, "Jennifer Dethmers" <Jennifer.Dethmers@state.co.us>, "Ian McConnel" <Ian.McConnel@state.de.us>, "Morgan Zurn" <Morgan.Zurn@state.de.us>, "Owen Lefkon" <Owen.Lefkon@state.de.us>, "Sherry Hoffman" <Sherry.Hoffman@state.de.us>, "Brian Crossland" <Bcrossland@state.pa.us>, "David Bleicken" <Dbleicken@state.pa.us>, "Donald DeBastiani" <Ddebastian@state.pa.us>, "James Keiser" <Jkeiser@state.pa.us>

Date: 4/1/2011 5:12 PM

Subject: Re: FW: Judicial Watch Public Records Request re CFPB andWarren

We also received a request from Judicial Watch, which I believe is identical to the one sent to Tennessee. Has anyone else gotten it? Here is the text:

RE: Records of Meetings and Communications with Elizabeth Warren

...Ms. Warren announced on December 2, 2010, at the Consumer Federation of Amercia (CFA) Financial Services Conference that earlier that week she had gone 'to Florida to meet with the Attorney Generals from across the country.' Hence, pursuant to the provisions of the Texas Public Infomraiton Act, as codified at Chapter 552 of the Texas Government Code, Judicial Watch requests that your office produce the following within ten (10) business days:

1. Any and all communications, contacts, and correspondence concerning, referring to, or relating to any and all meetings with CFPB, including but not limited to Elizabeth Warren and her staff;

2. Any and all records of communications, contacts, and correspondence - including but not limited to phone logs - concerning, referring to, or relating to any and all meetings with CFPB, including but not limited to Elizabeth Warren and her staff;

3. Any and all notes, minutes, agendas, menus, programs, presentations - whether displayed, disseminated, or distributed in print or electronic form - concerning, referring to, or relating to any and all meeting with CFPB, including but not limited to Elizabeth Warren and her staff;

4. Any and all travel itineraries for trips or transporation of any kind concerning, referring to, or relating to any and all meetings with CFPB, including but not limited to Elizabeth Warren and her staff; and,

5. Any and all expense reports of any kind concerning, referring to, or relating to any and all meetings with CFPB, including but not limited to Elizabeth Warren and her staff.

The time frame for this request is from August 1, 2010 through the present."

Lisette Garcia
Judicial Watch
425 Third St., SW, Ste. 800
Washinton, DC 20024

James A. Daross
Assistant Attorney General
Consumer Protection and Public Health Division
Office of the Attorney General of Texas
401 E. Franklin Ave., Suite 530
El Paso, Texas 79901
(915) 834-5801
(915) 542-1546 FAX

This memorandum may be confidential and/or privileged pursuant to Texas Government Code Sections 552.101, 552.103, 552.107 & 552.111, and should not be disclosed without the express authorization of the Attorney General. >>> Jennifer Peacock <Jennifer.Peacock@ag.tn.gov> 4/1/2011 1:06 PM >>>
Heads up - our front office received the attached public records request from Judicial Watch regarding CFPB and Elizabeth Warren.

Jenni Peacock
Assistant Attorney General
Consumer Advocate and Protection Division
Office of the Tennessee Attorney General
425 Fifth Avenue North (37243-3400)
P.O. Box 20207
Nashville, Tennessee 37202-0207
Telephone: 615.741.3108
Facsimile: 615.532.2910
jennifer.peacock@ag.tn.gov

From: Jennifer Peacock <Jennifer.Peacock@ag.tn.gov>
To: "Abundis, Cecelia" <Cabundis@atg.state.il.us>, "Alestra, Mary" <Mary.Ale...
Date: 4/1/2011 3:08 PM
Subject: FW: Judicial Watch Public Records Request re CFPB and Warren
Attachments: 2011 03 29 Judicial Watch PublicRecords Request re CFPB Warren.pdf

Heads up - our front office received the attached public records request from Judicial Watch regarding CFPB and Elizabeth Warren.

Jenni Peacock
Assistant Attorney General
Consumer Advocate and Protection Division
Office of the Tennessee Attorney General
425 Fifth Avenue North (37243-3400)
P.O. Box 20207
Nashville, Tennessee 37202-0207
Telephone: 615.741.3108
Facsimile: 615.532.2910
jennifer.peacock@ag.tn.gov

Judicial Watch
Because no one is above the law!

March 29, 2011

VIA CERTIFIED MAIL & FACSIMILE

Attorney General Robert E. Cooper
State of Tennessee
P.O. Box 2027
Nashville, TN 37202-0207

Re: Records of Meetings and Communications with Elizabeth Warren

Dear Mr. Cooper:

On September 17, 2010, President Obama appointed Elizabeth Warren to serve as the Special Advisor to the Secretary of the U.S. Treasury on the Consumer Financial Protection Bureau (CFPB), among other responsibilities.

Pursuant to those responsibilities, Ms. Warren announced on December 2, 2010, at the Consumer Federation of America (CFA) Financial Services Conference that earlier that week she had gone "to Florida to meet with Attorneys General from across the country." Hence, pursuant to the provisions of the Tennessee Open Records Law TCA-10-7 503-505, Judicial Watch requests that your office produce the following within seven (7) business days:

1. Any and all communications, contacts, and correspondence concerning, referring to, or relating to any and all meetings with CFPB, including but not limited to Elizabeth Warren and her staff;

2. Any and all records of communications, contacts, and correspondence – including but not limited to phone logs -- concerning, referring to, or relating to any and all meetings with CFPB, including but not limited to Elizabeth Warren and her staff;

3. Any and all notes, minutes, agendas, menus, programs, presentations – whether displayed, disseminated, or distributed in print or electronic form -- concerning, referring to, or relating to any and all meetings with CFPB, including but not limited to Elizabeth Warren and her staff;

4. Any and all travel itineraries for trips or transportation of any kind concerning, referring to, or relating to any and all meetings with CFPB, including but not limited to Elizabeth Warren and her staff; and,

5. Any and all expense reports of any kind concerning, referring to, or relating to any and all meetings with CFPB, including but not limited to Elizabeth Warren and her staff.

425 Third St., SW, Suite 800, Washington, DC 20024 Tel: (202) 646-5172 or 1-888-593-8442
FAX: (202) 646-5199 Email: info@JudicialWatch.org www.JudicialWatch.org

State of Tennessee
Office of the Attorney General
March 29, 2011

The time frame for this request is from August 1, 2010 through the present.

Public records are defined as all documents, papers, letters, maps, books, photographs, microfilms, electronic data processing files and output, films, sound recordings, or other material, regardless of physical form or characteristics made or received pursuant to law or ordinance or in connection with the transaction of official business of any governmental agency. TCA-10-7-503(a)(1).

If this request is denied you are required to provide a written statement of the grounds for such denial. TCA 10-7-503(2)(a)(ii).

If any fee is to be charged for copying the requested records, please notify us in advance if the expected cost is likely to exceed $150.00

If you do not understand this request or any portion thereof, or if you feel you require clarification, please immediately contact Judicial Watch Research Assistant Justin McCarthy at 202-646-5172 or jmccarthy@judicialwatch.org. Judicial Watch looks forward to receiving the requested documents and a waiver of both search and duplication costs within seven (7) days. Thank you for your cooperation.

Sincerely,

Lisette Garcia, J.D.
Senior Investigator
Judicial Watch, Inc.

Jeffrey Powell - RE: CFPB Slides

From: "Madigan, Patrick [AG]" <Patrick.Madigan@iowa.gov>
To: "Madigan, Patrick [AG]" <Patrick.Madigan@iowa.gov>, "Abundis, Cecelia" <Cabundis@atg.state.il.us>, "Alestra, Mary " <Mary.Alestra@ag.ny.gov>, "Anderson, Kevin " <Kander@ncdoj.gov>, "Azia, Jane" <Jane.Azia@banking.state.ny.us>, "Baroni, John " <John.Baroni@ag.tn.gov>, "Bischoff, Richard" <Richard.Bischoff@oag.state.tx.us>, "Bleicken, David " <Dbleicken@state.pa.us>, "Boggs, Paige" <EBoggs@atg.state.il.us>, "Budzik, Matt" <Matthew.Budzik@ct.gov>, "Butler, Victoria" <Victoria.Butler@myfloridalegal.com>, "Chambers, Joseph" <Joseph.Chambers@ct.gov>, "Choe, Susan" <Susan.choe@ohioattorneygeneral.gov>, "Conners, Trish" <Trish.Conners@myfloridalegal.com>, "Crossland, Brian" <Bcrossland@state.pa.us>, "Daross, Jim" <James.Daross@oag.state.tx.us>, "Daugherty, Laura" <Laura.Daugherty@myfloridalegal.com>, "DeBastiani, Donald " <Ddebastian@state.pa.us>, "Dethmers, Jennifer" <Jennifer.Dethmers@state.co.us>, "Diehl, Ben" <Benjamin.Diehl@doj.ca.gov>, "Ellis, Susan" <Sellis@atg.state.il.us>, "Hagan, Debby " <Dhagan@atg.state.il.us>, "Hartzell, Adam " <AHartzell@ncdoj.gov>, "Hill, Jeff" <Jeff.Hill@ag.tn.gov>, "Hoffman, Sherry" <Sherry.Hoffman@state.de.us>, "Huey, Dave" <DavidH3@atg.wa.gov>, "James, Tom" <TJames@atg.state.il.us>, "Keiser, James " <Jkeiser@state.pa.us>, "Lehman, Phil " <Plehman@ncdoj.gov>, "Levine, Laura " <Laura.Levine@ag.ny.gov>, "Loeser, Jeff" <Jloeser@ag.state.oh.us>, "Matthews, Carolyn " <Carolyn.Matthews@azag.gov>, "McCallin, Andy" <Andrew.McCallin@state.co.us>, "McConnel, Ian" <Ian.McConnel@state.de.us>, "Norris, Jack" <Jack.Norris@myfloridalegal.com>, "Norton, Anne" <Anorton@dllr.state.md.us>, "Palmer, Scott " <Scott.Palmer@myfloridalegal.com>, "Peacock, Jennifer " <Jennifer.Peacock@ag.tn.gov>, "Powell, Jeffrey" <Jeffrey.Powell@ag.ny.gov>, "Sears, Kate" <Kathrin.Sears@doj.ca.gov>, "Slemp, Greg" <Greg.Slemp@myfloridalegal.com>, "Stretch, Cara" <Cstretch@dllr.state.md.us>, "Sugarman, James" <Jamess6@atg.wa.gov>, "Velasco, Vivian" <VVelasco@atg.state.il.us>, "Wrone, Steve" <Swrone@atg.state.il.us>, "Zavislan, Jan" <Jan.Zavislan@state.co.us>, "Zurn, Morgan" <Morgan.Zurn@state.de.us>
Date: 2/25/2011 3:16 PM
Subject: RE: CFPB Slides

We are on for the call. Please use 1-877-284-2201 and PIN 7685617.

From: Patricia.McCoy@treasury.gov [mailto:Patricia.McCoy@treasury.gov]
Sent: Friday, February 25, 2011 2:04 PM
To: Madigan, Patrick [AG]
Cc: WarrenE@treasury.gov; Rajeev.Date@treasury.gov; Richard.Cordray@treasury.gov; Lucy.Morris@treasury.gov; Ethan.Bernstein@treasury.gov
Subject: settlement slides

Dear Patrick,

Here, again, are the settlement slides for this afternoon's phone call. Best,

Pat McCoy

From: "Madigan, Patrick [AG]" <Patrick.Madigan@iowa.gov>
To: "Jeffrey Powell" <Jeffrey.Powell@ag.ny.gov>
Date: 2/15/2011 4:56 PM
Subject: RE: CFPB Call TODAY at 2 ET

I think I will do it during tomorrow's EC call, if that's ok.

-----Original Message-----
From: Jeffrey Powell [mailto:Jeffrey.Powell@ag.ny.gov]
Sent: Tuesday, February 15, 2011 2:11 PM
To: Madigan, Patrick [AG]
Subject: RE: CFPB Call TODAY at 2 ET

Do you have a few minutes this afternoon to discuss what was presented? (I got the Powerpoint).

>>> "Madigan, Patrick [AG]" <Patrick.Madigan@iowa.gov> 2/15/2011 3:07 PM >>>
Sorry

-----Original Message-----
From: Jeffrey Powell [mailto:Jeffrey.Powell@ag.ny.gov]
Sent: Tuesday, February 15, 2011 1:06 PM
To: Deborah Hagan; sellis@atg.state.il.us; tjames@atg.state.il.us; Jane Azia; Cara Stretch; Benjamin Diehl; Kate Sears; Madigan, Patrick [AG]; Jack Norris; Laura Daugherty; Trish Conners; Victoria Butler; Adam Hartzell; Kevin Anderson; Phil Lehman; Ian McConnel; Zum Morgan T (DOJ)
Subject: Re: CFPB Call TODAY at 2 ET

I can't get on the call - get a message saying the call has reached max. capacity.

Jeffrey K. Powell
Deputy Bureau Chief
Bureau of Consumer Frauds
and Protection
New York State Office of Attorney General
120 Broadway
New York, New York 10271-0332
Phone: (212) 416-8309
Fax: (212) 416-6003

>>> "Madigan, Patrick [AG]" <Patrick.Madigan@iowa.gov> 2/15/2011 12:53 PM >>>
All,

There is going to be a confidential briefing from the CFPB TODAY at 2 ET, 1 CT, 11 PT. Based on my understanding of the briefing, I am inviting the Loss Mitigation Subgroup to be on this call. The CFPB wanted me to stress the confidential nature of this briefing. I apologize for the short notice. This was put together quickly.

Please use:

Dial-in # 202-927-2255

Access code 898862

Thank you,

Patrick Madigan

Assistant Attorney General

Iowa Attorney General's Office

1305 E. Walnut St.

Des Moines, IA 50319

Phone: (515) 281-4250

Fax: (515) 281-6771

From: "Madigan, Patrick [AG]" <Patrick.Madigan@iowa.gov>
To: "Jeffrey Powell" <Jeffrey.Powell@ag.ny.gov>
Date: 2/15/2011 3:07 PM
Subject: RE: CFPB Call TODAY at 2 ET

Sorry

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From: Jeffrey Powell [mailto:Jeffrey.Powell@ag.ny.gov]
Sent: Tuesday, February 15, 2011 1:06 PM
To: Deborah Hagan; sellis@atg.state.il.us; tjames@atg.state.il.us; Jane Azia; Cara Stretch; Benjamin Diehl; Kate Sears; Madigan, Patrick [AG]; Jack Norris; Laura Daugherty; Trish Conners; Victoria Butler; Adam Hartzell; Kevin Anderson; Phil Lehman; Ian McConnel; Zurn Morgan T (DOJ)
Subject: Re: CFPB Call TODAY at 2 ET

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Jeffrey K. Powell
Deputy Bureau Chief
Bureau of Consumer Frauds
and Protection
New York State Office of Attorney General
120 Broadway
New York, New York 10271-0332
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Access code 898862

Thank you,

Patrick Madigan

Assistant Attorney General

Iowa Attorney General's Office

1305 E. Walnut St.

Des Moines, IA 50319

Phone: (515) 281-4250

Fax: (515) 281-6771

Jeffrey Powell - CFPB Call TODAY at 2 ET

From:	"Madigan, Patrick [AG]" <Patrick.Madigan@iowa.gov>
To:	"Jeffrey Powell" <Jeffrey.Powell@ag.ny.gov>, "Hartzell, Adam" <AHartzell@ncdoj.gov>, "Phil Lehman" <plehman@ncdoj.gov>, "Anderson, Kevin " <Kander@ncdoj.gov>, "Conners, Trish" <Trish.Conners@myfloridalegal.com>, "Daugherty, Laura" <Laura.Daugherty@myfloridalegal.com>, "Butler, Victoria" <Victoria.Butler@myfloridalegal.com>, "Deborah Hagan" <DHagan@atg.state.il.us>, <tjames@atg.state.il.us>, <sellis@atg.state.il.us>, "Zurn Morgan T (DOJ)" <Morgan.Zurn@state.de.us>, "McConnel, Ian" <Ian.McConnel@state.de.us>, "Benjamin Diehl" <Benjamin.Diehl@doj.ca.gov>, "Kate Sears " <Kathrin.Sears@doj.ca.gov>, "Azia, Jane" <Jane.Azia@banking.state.ny.us>, "Stretch, Cara" <Cstretch@dllr.state.md.us>, "Norris, Jack" <Jack.Norris@myfloridalegal.com>
Date:	2/15/2011 12:53 PM
Subject:	CFPB Call TODAY at 2 ET
CC:	"Madigan, Patrick [AG]" <Patrick.Madigan@iowa.gov>

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Access code 898862

Thank you,

Patrick Madigan
Assistant Attorney General
Iowa Attorney General's Office
1305 E. Walnut St.
Des Moines, IA 50319
Phone: (515) 281-4250
Fax: (515) 281-6771

FOIL 110200 000024

Jeffrey Powell - CFPB website

From: "Carolyn Matthews" <Carolyn.Matthews@azag.gov>
To: "Jeffrey Powell" <Jeffrey.Powell@ag.ny.gov>, "Mary Alestra" <Mary.Alestra@ag.ny.gov>, "Jeff Loeser" <Jloeser@ag.state.oh.us>, "Jeff Hill" <Jeff.Hill@ag.tn.gov>, "Jennifer Peacock" <Jennifer.Peacock@ag.tn.gov>, "John Baroni" <John.Baroni@ag.tn.gov>, "Cecelia Abundis" <Cabundis@atg.state.il.us>, "Debby Hagan" <Dhagan@atg.state.il.us>, "Paige Boggs" <EBoggs@atg.state.il.us>, "Susan Ellis" <Sellis@atg.state.il.us>, "Vivian Velasco" <VVelasco@atg.state.il.us>, "Dave Huey" <DavidH3@atg.wa.gov>, "James Sugarman" <Jamess6@atg.wa.gov>, "Jane Azia" <Jane.Azia@banking.state.ny.us>, "Joseph Chambers" <Joseph.Chambers@ct.gov>, "Matt Budzik" <Matthew.Budzik@ct.gov>, "Anne Norton" <Anorton@dllr.state.md.us>, "Cara Stretch" <Cstretch@dllr.state.md.us>, "Ben Diehl" <Benjamin.Diehl@doj.ca.gov>, "Kate Sears" <Kathrin.Sears@doj.ca.gov>, "Patrick [AG] Madigan" <Patrick.Madigan@iowa.gov>, "Greg Slemp" <Greg.Slemp@myfloridalegal.com>, "Jack Norris" <Jack.Norris@myfloridalegal.com>, "Laura Daugherty" <Laura.Daugherty@myfloridalegal.com>, "Scott Palmer" <Scott.Palmer@myfloridalegal.com>, "Trish Conners" <Trish.Conners@myfloridalegal.com>, "Adam Hartzell" <AHartzell@ncdoj.gov>, "Al Ripley" <ARipley@ncdoj.gov>, "Kevin Anderson" <Kander@ncdoj.gov>, "Phil Lehman" <Plehman@ncdoj.gov>, "Jim Daross" <James.Daross@oag.state.tx.us>, "Richard Bischoff" <Richard.Bischoff@oag.state.tx.us>, "Susan Choe" <Susan.choe@ohioattorneygeneral.gov>, "Andy McCallin" <Andrew.McCallin@state.co.us>, "Jan Zavislan" <Jan.Zavislan@state.co.us>, "Jennifer Dethmers" <Jennifer.Dethmers@state.co.us>, "Ian McConnel" <Ian.McConnel@state.de.us>, "Morgan Zurn" <Morgan.Zurn@state.de.us>, "Sherry Hoffman" <Sherry.Hoffman@state.de.us>, "Brian Crossland" <Bcrossland@state.pa.us>, "David Bleicken" <Dbleicken@state.pa.us>, "Donald DeBastiani" <Ddebastian@state.pa.us>, "James Keiser" <Jkeiser@state.pa.us>
Date: 2/3/2011 4:03 PM
Subject: CFPB website

*The **Consumer Financial Protection Bureau** (CFPB) launched its website today at http://www.consumerfinance.gov .*

Carolyn

Jeffrey Powell - Attachment for CFPB Call

From:	"Madigan, Patrick [AG]" <Patrick.Madigan@iowa.gov>
To:	"Jeffrey Powell" <Jeffrey.Powell@ag.ny.gov>, "Hartzell, Adam" <AHartzell@ncdoj.gov>, "Phil Lehman" <plehman@ncdoj.gov>, "Anderson, Kevin " <Kander@ncdoj.gov>, "Conners, Trish" <Trish.Conners@myfloridalegal.com>, "Daugherty, Laura" <Laura.Daugherty@myfloridalegal.com>, "Butler, Victoria" <Victoria.Butler@myfloridalegal.com>, "Norris, Jack" <Jack.Norris@myfloridalegal.com>, "Deborah Hagan" <DHagan@atg.state.il.us>, <tjames@atg.state.il.us>, <sellis@atg.state.il.us>, "Zurn Morgan T (DOJ)" <Morgan.Zurn@state.de.us>, "McConnel, Ian" <Ian.McConnel@state.de.us>, "Benjamin Diehl" <Benjamin.Diehl@doj.ca.gov>, "Kate Sears " <Kathrin.Sears@doj.ca.gov>, "Azia, Jane" <Jane.Azia@banking.state.ny.us>, "Stretch, Cara" <Cstretch@dllr.state.md.us>
Date:	2/15/2011 12:57 PM
Subject:	Attachment for CFPB Call
Attachments:	servicing perspectives 021411.pdf

CONSUMER FINANCIAL PROTECTION BUREAU

DRAFT
021411 8:05pm

Perspectives on Settlement Alternatives in Mortgage Servicing

Discussion document

February 14, 2011

The prospect of a "global" settlement provides the potential for broad reform.

MORTGAGE SERVICING SETTLEMENT IN CONTEXT

Enabled by a Settlement

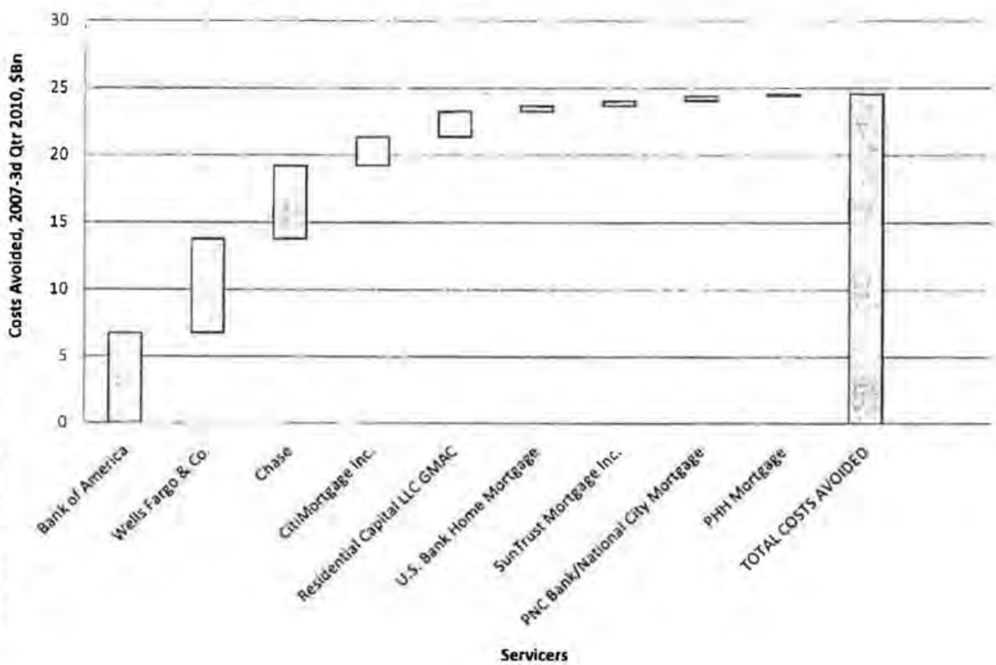
	• Mandate modifications	• Align servicer incentives	• Promulgate new standards
Description	• Require that largest servicers modify a specific number of mortgages	• Create a new trust structure outside existing RMBS deals, which "traps cash" to align servicer and investor incentives	• Use CFPB's eventual rule-making authority to "harmonize" various agencies' conduct standards
Goals	• Deter wrongful servicer conduct • Help clear shadow inventory • Provide some borrower relief	• Adjust servicing incentives for securitized mortgages • Leave existing trust structures intact	• Provide consistent rules for all market participants

Rough estimates suggest that the largest servicers may have saved more than $20 billion through under-investment in proper servicing during the crisis. As a result, a notional penalty of roughly $5 billion would seem too low.

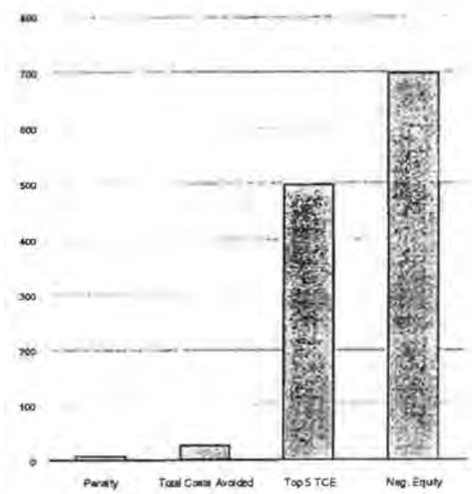
CALIBRATING THE SIZE OF POTENTIAL PENALTIES

Estimated Servicing Costs Avoided, 2007-3Q10
$ Billions (Source: CFPB)

Assumption:
-- Effective special servicing of delinquent loans would have cost 75 bps/yr more than the actual costs incurred



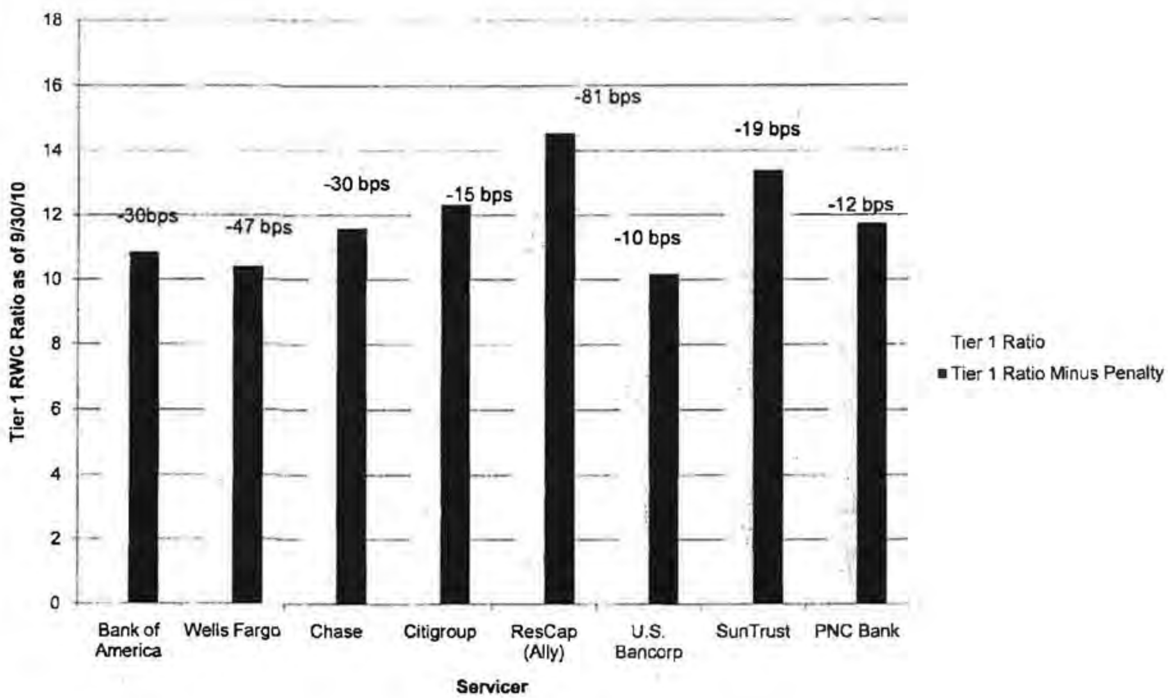
Notional $5 Billion in Context
$ Billions



Source: CFPB

A penalty based on servicing costs avoided would have little effect on Tier 1 capital ratios.

EFFECT OF PENALTY ON TIER 1 CAPITAL

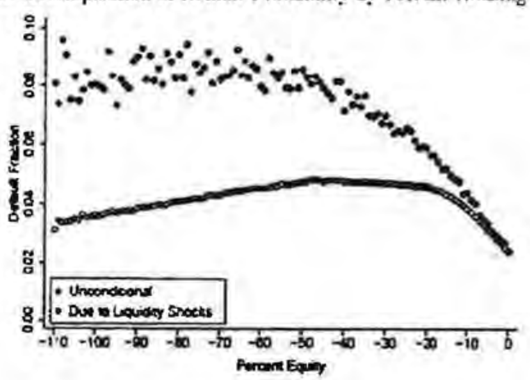


Source: CFPB

Given the magnitude of the "shadow inventory" problem, we have gravitated towards settlement solutions that enable asset liquidity and cast a wide net. In particular, we have focused on principal reduction-modifications and the short sales enabled by them. As borrowers become increasingly underwater, they are more likely to default. To date, though, principal reductions have been relatively under-utilized.

NEGATIVE EQUITY, DELINQUENCY, AND PRINCIPAL REDUCTION

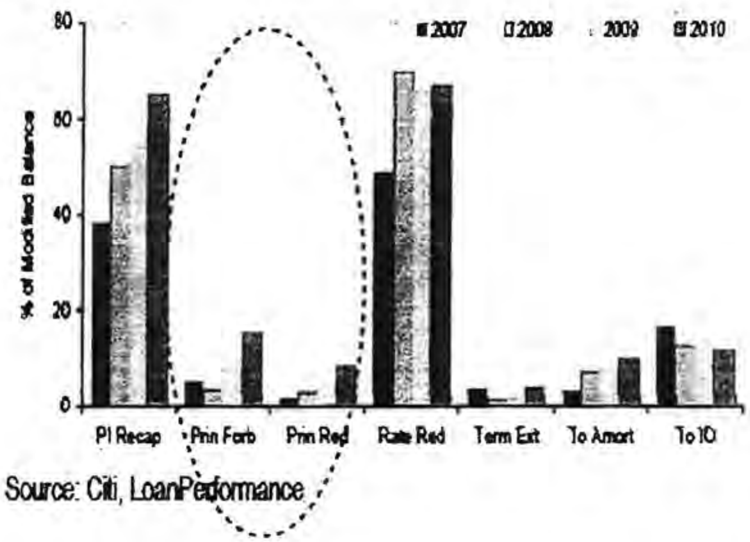
Figure 3: Decomposition of Default Probability by Percent Housing Equity



Note. Figure based on 1.9 million loan-month observations. Percent Equity is measured as a percent of current house value and is rounded to the nearest percentage point. Solid circles represent the unconditional probability of default at a given equity level. Hollow circles represent the probability of default due to experiencing a liquidity shock at a given equity level.

Bhutta, Dokko & Shan (2009).

Figure 8. Distribution by Modification Type (All Sectors)



Source: Citi, LoanPerformance

The scope of a settlement-driven loan modification requirement can be roughly calibrated to the likely cost to servicers from principal forgiveness. Principal reductions would (1) make payments somewhat more affordable; (2) free underwater borrowers to sell or refinance their homes; and (3) thereby help the housing market clear. Notably, some fraction of the cost of modifications (for NPV-positive modifications) might legitimately be pushed from servicers onto MBS investors.

CALIBRATING BREADTH AND DEPTH

Example

- Require [3.0] million principal-reduction mods over six months (principal forgiven)
  - Apportion by market share
  - With or without short sale
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  - Current CLTV > [100%]
  - Not FHA or VA loans
- Principal must be written down to [95%] CLTV
  - Reduction in second lien mortgages held by any party to settlement
- Monitor compliance
- Make penalty for failure to execute big enough to encourage loan mods
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  - But investors absorb write-down when NPV positive.

Cost of Aggregate Principal Reduction
(Assuming servicers modify *least* underwater borrowers)
$ Billions

Depth: *Reduce each Loan CLTV*	*Breadth: Millions of Loans Modified*					
	0.5	1.0	1.5	2.0	2.5	3.0
> 100% to 95%	$7.0	$13.9	$20.9	$27.9	$34.8	$41.8
>100% to 90%	$10.6	$21.1	$31.7	$42.3	$52.9	$63.4
>105% to 95%	$7.1	$14.3	$21.4	$33.3	$51.9	$70.5
>115% to 100%	$13.4	$28.1	$51.5	$74.9	$103.9	$135.2

Note: Assuming servicers modify *least* underwater borrowers; excludes FHA and VA loans

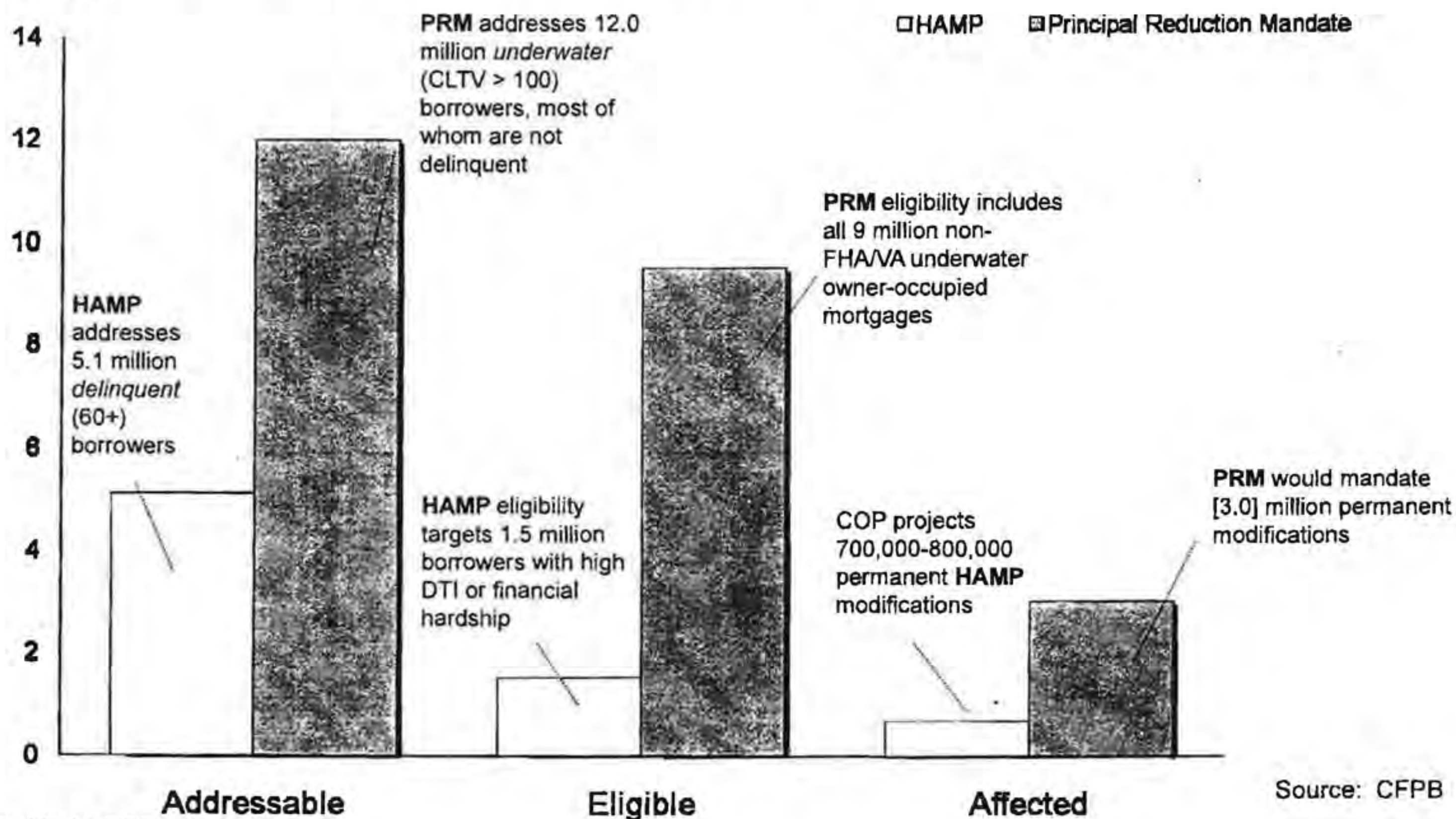
Source: CFPB analysis based on FRB staff research

FOIL 110200 000032

A principal reduction mandate could be meaningfully additive to HAMP.

PRINCIPAL REDUCTION MANDATE (PRM) VS. HAMP

Comparison of Borrower Universe, Eligibility, and Impact
Millions



Source: CFPB

Jeffrey Powell - CFPB Slides

From: "Madigan, Patrick [AG]" <Patrick.Madigan@iowa.gov>
To: "Abundis, Cecelia" <Cabundis@atg.state.il.us>, "Alestra, Mary " <Mary.Alestra@ag.ny.gov>, "Anderson, Kevin " <Kander@ncdoj.gov>, "Azia, Jane" <Jane.Azia@banking.state.ny.us>, "Baroni, John " <John.Baroni@ag.tn.gov>, "Bischoff, Richard" <Richard.Bischoff@oag.state.tx.us>, "Bleicken, David " <Dbleicken@state.pa.us>, "Boggs, Paige" <EBoggs@atg.state.il.us>, "Budzik, Matt" <Matthew.Budzik@ct.gov>, "Butler, Victoria" <Victoria.Butler@myfloridalegal.com>, "Chambers, Joseph" <Joseph.Chambers@ct.gov>, "Choe, Susan" <Susan.choe@ohioattorneygeneral.gov>, "Conners, Trish" <Trish.Conners@myfloridalegal.com>, "Crossland, Brian" <Bcrossland@state.pa.us>, "Daross, Jim" <James.Daross@oag.state.tx.us>, "Daugherty, Laura" <Laura.Daugherty@myfloridalegal.com>, "DeBastiani, Donald " <Ddebastian@state.pa.us>, "Dethmers, Jennifer" <Jennifer.Dethmers@state.co.us>, "Diehl, Ben" <Benjamin.Diehl@doj.ca.gov>, "Ellis, Susan" <Sellis@atg.state.il.us>, "Hagan, Debby " <Dhagan@atg.state.il.us>, "Hartzell, Adam " <AHartzell@ncdoj.gov>, "Hill, Jeff" <Jeff.Hill@ag.tn.gov>, "Hoffman, Sherry" <Sherry.Hoffman@state.de.us>, "Huey, Dave" <DavidH3@atg.wa.gov>, "James, Tom" <TJames@atg.state.il.us>, "Keiser, James " <Jkeiser@state.pa.us>, "Lehman, Phil " <Plehman@ncdoj.gov>, "Levine, Laura " <Laura.Levine@ag.ny.gov>, "Loeser, Jeff" <Jloeser@ag.state.oh.us>, "Madigan, Patrick [AG]" <Patrick.Madigan@iowa.gov>, "Matthews, Carolyn " <Carolyn.Matthews@azag.gov>, "McCallin, Andy" <Andrew.McCallin@state.co.us>, "McConnel, Ian" <Ian.McConnel@state.de.us>, "Norris, Jack" <Jack.Norris@myfloridalegal.com>, "Norton, Anne" <Anorton@dllr.state.md.us>, "Palmer, Scott " <Scott.Palmer@myfloridalegal.com>, "Peacock, Jennifer " <Jennifer.Peacock@ag.tn.gov>, "Powell, Jeffrey" <Jeffrey.Powell@ag.ny.gov>, "Sears, Kate" <Kathrin.Sears@doj.ca.gov>, "Slemp, Greg" <Greg.Slemp@myfloridalegal.com>, "Stretch, Cara" <Cstretch@dllr.state.md.us>, "Sugarman, James" <Jamess6@atg.wa.gov>, "Velasco, Vivian" <VVelasco@atg.state.il.us>, "Wrone, Steve" <Swrone@atg.state.il.us>, "Zavislan, Jan" <Jan.Zavislan@state.co.us>, "Zurn, Morgan" <Morgan.Zurn@state.de.us>
Date: 2/25/2011 3:10 PM
Subject: CFPB Slides
Attachments: servicing perspectives 021411.pdf

From: Patricia.McCoy@treasury.gov [mailto:Patricia.McCoy@treasury.gov]
Sent: Friday, February 25, 2011 2:04 PM
To: Madigan, Patrick [AG]
Cc: WarrenE@treasury.gov; Rajeev.Date@treasury.gov; Richard.Cordray@treasury.gov; Lucy.Morris@treasury.gov; Ethan.Bernstein@treasury.gov
Subject: settlement slides

Dear Patrick,

Here, again, are the settlement slides for this afternoon's phone call. Best,

Pat McCoy

CONSUMER FINANCIAL PROTECTION BUREAU

DRAFT
021411 8:05pm

Perspectives on Settlement Alternatives in Mortgage Servicing

Discussion document

February 14, 2011

The prospect of a "global" settlement provides the potential for broad reform

MORTGAGE SERVICING SETTLEMENT IN CONTEXT

Enabled by a Settlement

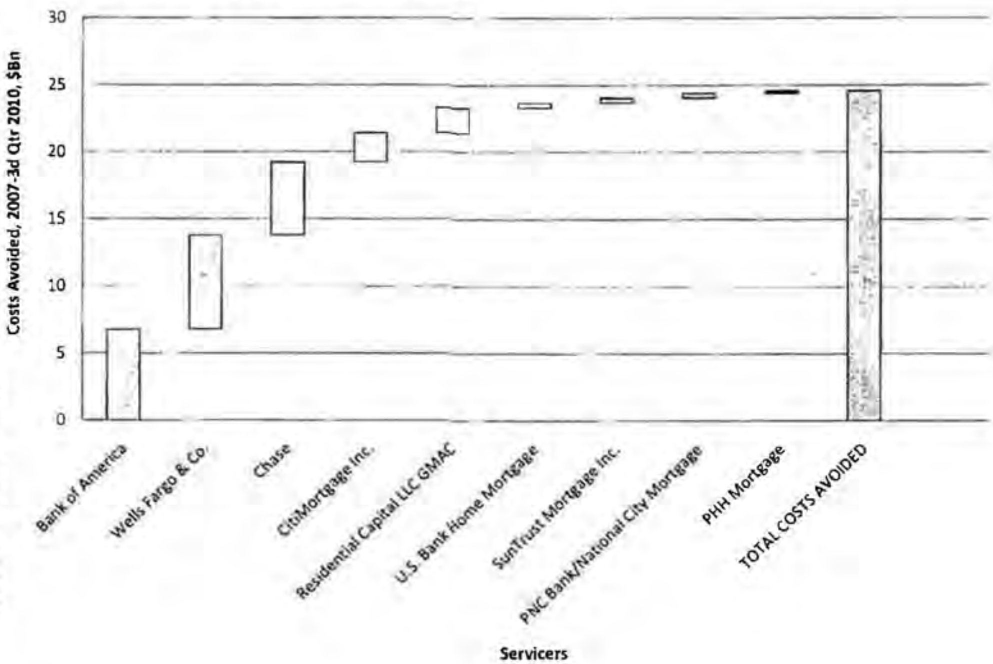
	• Mandate modifications	• Align servicer incentives	• Promulgate new standards
Description	• Require that largest servicers modify a specific number of mortgages	• Create a new trust structure outside existing RMBS deals, which "traps cash" to align servicer and investor incentives	• Use CFPB's eventual rule-making authority to "harmonize" various agencies' conduct standards
Goals	• Deter wrongful servicer conduct • Help clear shadow inventory • Provide some borrower relief	• Adjust servicing incentives for securitized mortgages • Leave existing trust structures intact	• Provide consistent rules for all market participants

Rough estimates suggest that the largest servicers may have saved more than $20 billion through under-investment in proper servicing during the crisis. As a result, a notional penalty of roughly $5 billion would seem too low.

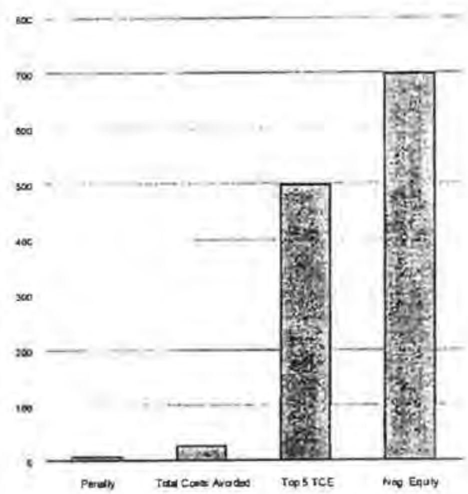
CALIBRATING THE SIZE OF POTENTIAL PENALTIES

Estimated Servicing Costs Avoided, 2007-3Q10
$ Billions (Source: CFPB)

Assumption:
-- Effective special servicing of delinquent loans would have cost 75 bps/yr more than the actual costs incurred



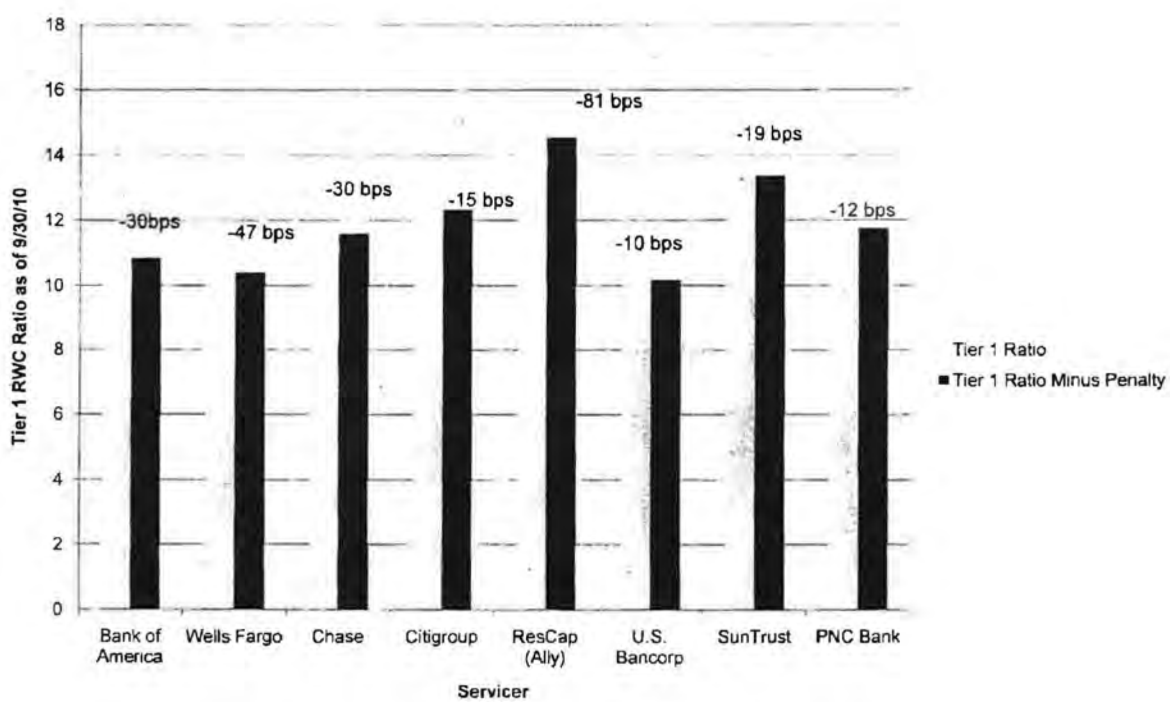
Notional $5 Billion in Context
$ Billions



Source: CFPB

A penalty based on servicing costs avoided would have little effect on Tier 1 capital ratios.

EFFECT OF PENALTY ON TIER 1 CAPITAL

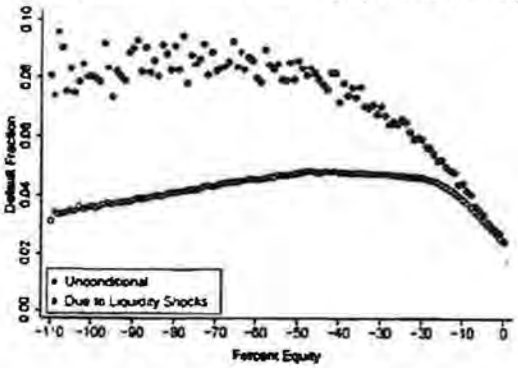


Source: CFPB

Given the magnitude of the "shadow inventory" problem, we have gravitated towards settlement solutions that enable asset liquidity and cast a wide net. In particular, we have focused on principal reduction-modifications and the short sales enabled by them. As borrowers become increasingly underwater, they are more likely to default. To date, though, principal reductions have been relatively under-utilized.

NEGATIVE EQUITY, DELINQUENCY, AND PRINCIPAL REDUCTION

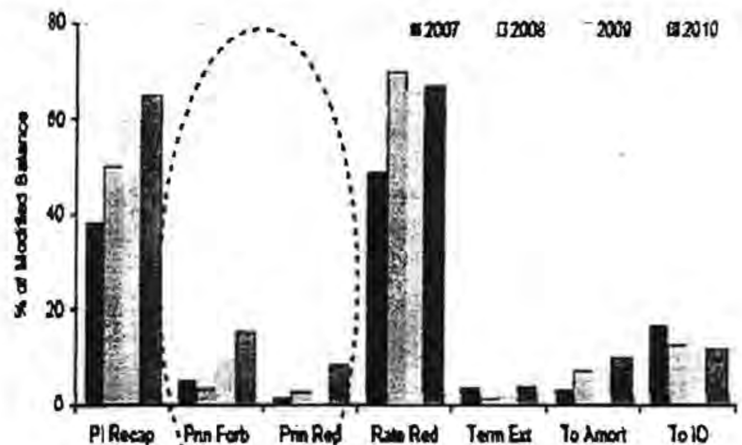
Figure 3: Decomposition of Default Probability by Percent Housing Equity



Note. Figure based on 1.9 million loan-month observations. Percent Equity is measured as a percent of current house value and is rounded to the nearest percentage point. Solid circles represent the unconditional probability of default at a given equity level. Hollow circles represent the probability of default due to experiencing a liquidity shock at a given equity level.

Bhutta, Dokko & Shan (2009).

Figure 8. Distribution by Modification Type (All Sectors)



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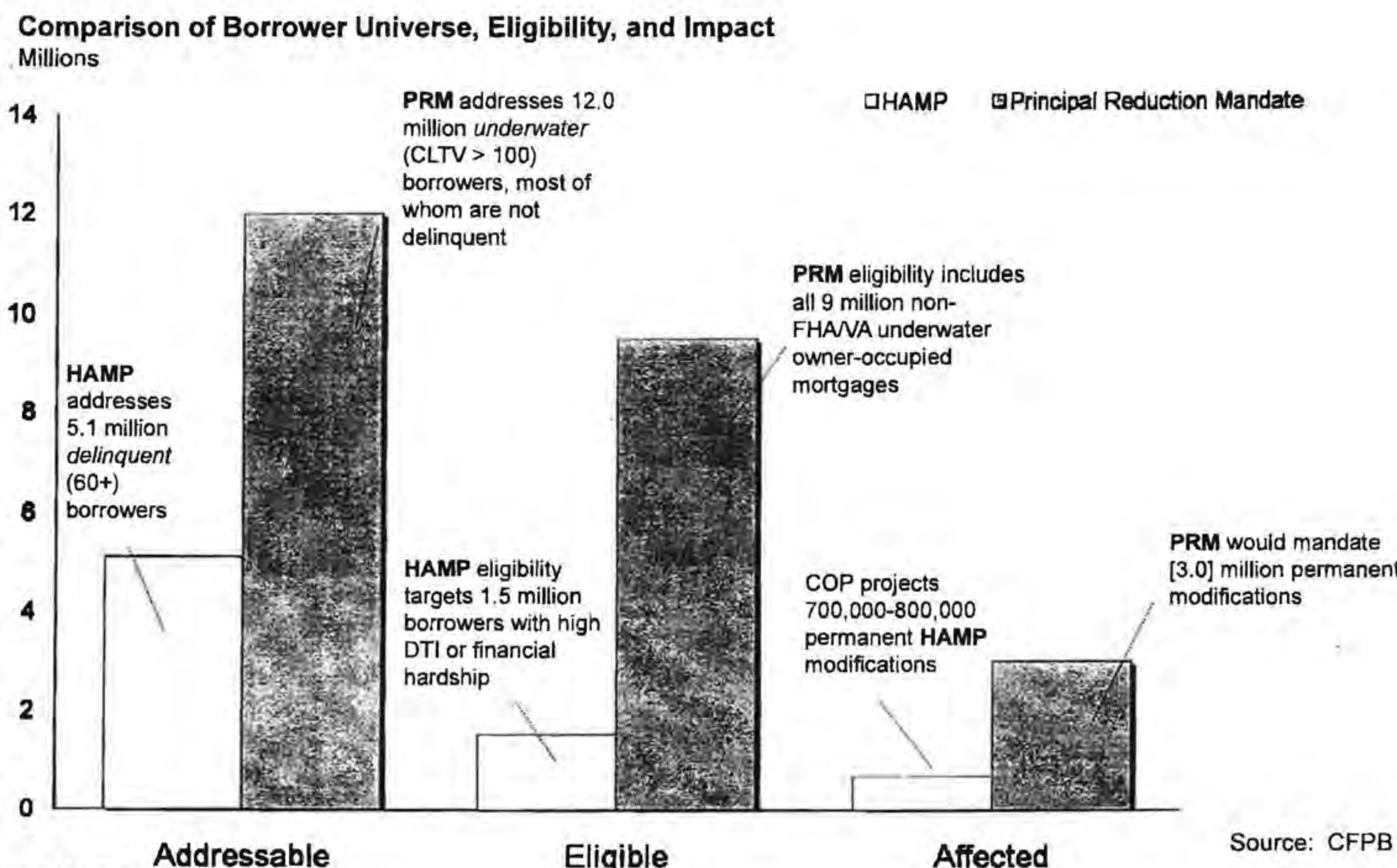

Jeffrey Powell - Letter from Reps. Bachus & Moore Capito to Elizabeth Warren

From: "James Daross" <james.daross@oag.state.tx.us>

To: "Jeffrey Powell" <Jeffrey.Powell@ag.ny.gov>, "Laura Levine" <Laura.Levine@ag.ny.gov>, "MaryAlestra" <Mary.Alestra@ag.ny.gov>, "Jeff Loeser" <Jloeser@ag.state.oh.us>, "JeffHill" <Jeff.Hill@ag.tn.gov>, "Jennifer Peacock" <Jennifer.Peacock@ag.tn.gov>, "John J. Baroni" <John.Baroni@ag.tn.gov>, "Cecilia Abundis" <cabundis@atg.state.il.us>, "Deborah Hagan" <DHagan@atg.state.il.us>, "Elizabeth Boggs" <EBoggs@atg.state.il.us>, "Susan Ellis" <sellis@atg.state.il.us>, "Steve Wrone" <swrone@atg.state.il.us>, "Thomas P. James" <TJames@atg.state.il.us>, "Vivian Velasco" <VVelasco@atg.state.il.us>, "Dave Huey" <DavidH3@atg.wa.gov>, "James Sugarman" <Jamess6@atg.wa.gov>, "Carolyn Matthews" <Carolyn.Matthews@azag.gov>, "Jeremy Shorbe" <Jeremy.Shorbe@azag.gov>, "JaneAzia" <Jane.Azia@banking.state.ny.us>, "Joseph Chambers" <Joseph.Chambers@ct.gov>, "Matt Budzik" <Matthew.Budzik@ct.gov>, "Anne Norton" <Anorton@dllr.state.md.us>, "Cara Stretch" <Cstretch@dllr.state.md.us>, "BenDiehl" <Benjamin.Diehl@doj.ca.gov>, "Kate Sears" <Kathrin.Sears@doj.ca.gov>, "Patrick Madigan" <Patrick.Madigan@iowa.gov>, "Greg Slemp" <Greg.Slemp@myfloridalegal.com>, "Jack Norris" <Jack.Norris@myfloridalegal.com>, "Laura Daugherty" <Laura.Daugherty@myfloridalegal.com>, "Scott Palmer" <Scott.Palmer@myfloridalegal.com>, "Trish Connors" <Trish.Conners@myfloridalegal.com>, "Victoria Butler" <Victoria.Butler@myfloridalegal.com>, "Adam Hartzell" <AHartzell@ncdoj.gov>, "Kevin Anderson" <Kander@ncdoj.gov>, "Phil Lehman" <Plehman@ncdoj.gov>, "Richard Bischoff" <richard.bischoff@oag.state.tx.us>, "Susan Choe" <Susan.choe@ohioattorneygeneral.gov>, "Andy McCallin" <Andrew.McCallin@state.co.us>, "Jan Zavislan" <Jan.Zavislan@state.co.us>, "Jennifer Dethmers" <Jennifer.Dethmers@state.co.us>, "Ian McConnel" <Ian.McConnel@state.de.us>, "Morgan Zurn" <Morgan.Zurn@state.de.us>, "OwenLefkon" <Owen.Lefkon@state.de.us>, "Sherry Hoffman" <Sherry.Hoffman@state.de.us>, "Brian Crossland" <Bcrossland@state.pa.us>, "DavidBleicken" <Dbleicken@state.pa.us>, "Donald DeBastiani" <Ddebastian@state.pa.us>, "James Keiser" <Jkeiser@state.pa.us>

Date: 4/1/2011 5:34 PM

Subject: Letter from Reps. Bachus & Moore Capito to Elizabeth Warren

Attachments: 03-30-11 Chairman Bachus letter to Elizabeth Warren.pdf

See the attached.

Jim

James A. Daross
Assistant Attorney General
Consumer Protection and Public Health Division
Office of the Attorney General of Texas
401 E. Franklin Ave., Suite 530
El Paso, Texas 79901
(915) 834-5801
(915) 542-1546 FAX

MEMO
From: Christina Harvey
To: ETS
cc: Greg Krakower, Jeff Powell, Melissa DeRosa
Re: Additional Information on Appointees to Consumer Fraud Protection Bureau
Date: February 14, 2011

Peggy Twohig
Peggy Twohig currently serves as Treasury's Director of the Office of Consumer Protection and Policy Lead for the CFPB implementation team. Prior to joining Treasury, Twohig worked at the Federal Trade Commission on enforcement and policy issues related to consumer financial services, including directing the activities of the Division of Financial Practices. Before her work at the FTC, Twohig practiced law with the firm of Arnold & Porter in Washington D.C., handling civil litigation matters. In her new role, Twohig will spearhead efforts to conduct research and policy analysis around the creation of the first federal non-depository supervision program.

Steve Antonakes
Steve Antonakes served as the Commissioner of Banks for the Commonwealth of Massachusetts for the past seven years and oversaw nearly 240 state-chartered banks and credit unions and more than 4,500 non-bank financial entities. Antonakes also served as a voting member of the Federal Financial Institutions Examination Council (FFIEC) and as the Vice Chairman of the Conference of State Bank Supervisors (CSBS). He began his career as an entry level Community Reinvestment Act Bank Examiner in June 1990 and worked his way through the management ranks to become the Commissioner of Banks – only the second career bank examiner to serve in that position. In his new role, Antonakes will build the consumer supervision program for the nation's largest depository institutions.

From Elizabeth Warren On Steve Antonakes and Peggy Twohig
"There are plenty of good lenders out there that want to build their businesses around providing good service to their customers, but the market doesn't work for them when some of their competitors aren't playing by the same rules," said Elizabeth Warren, who serves as assistant to the President and special advisor to the Secretary of the Treasury on the CFPB. "Peggy and Steve will play critical roles in building a CFPB that will level the playing field between bank and non-bank lenders. For the first time consumer credit is going to be regulated by product instead of by the kind of company selling it, and these two will be instrumental in developing this new approach."

Richard Channin
The rule-writing team will at the CFPB will be headed up by Richard Channin, who was the deputy director of the Fed's Division of Consumer and Community Affairs, where he has spent about 20 years of his legal career. According to the Treasury, Chanin's responsibilities include building the rule-writing team and developing initial proposals.

David Silberman

The Treasury also named David Silberman, a lawyer formerly with the AFL-CIO and Kessler Financial Services, to head up the new bureau's card markets division, the unit that will research and write rules for credit cards. Warren has said that among her top priorities is regulating credit-card disclosures, which would affect issuers including JPMorgan Chase & Co., Bank of America Corp. and Citigroup Inc.

Silberman previously managed the insurance business at the Boston-based consulting firm Kessler Financial Services. Its clients include the Hartford Life & Accident Insurance Co., the Union Labor Life Insurance Co., and the AFL-CIO. Before joining Kessler in 1999, Silberman was a co-founder of Union Privilege, the benefits arm of the AFL-CIO. He also served as the general counsel of Union Privilege for 12 years, then as its president and chief executive for five years. As the general counsel of Union Privilege, Silberman negotiated the first agreements in the early 1990s with credit card issuers including HSBC Holdings Plc to create "affinity cards" for union members. Affinity cards offer financial benefits to cardholders, such as discounts at certain stores, and funnel a fraction of each transaction to the union, said Leslie Tolf, the current president of Union Privilege. Currently about 1.5 million union members have the cards.

Holly Petraeus

See below Elizabeth Warren's posting on the White House blog about this appointment.

The White House Blog

Welcoming Holly Petraeus to the Consumer Financial Protection Bureau Implementation Team

Posted by Elizabeth Warren on January 06, 2011 at 05:30 AM EST

Today, nearly 300,000 American men and women are serving overseas, often in harsh conditions and at grave risk. For many of these brave men and women, the challenge of everyday life experienced by their families back home is a significant worry, as loved ones struggle with car payments, credit card bills, and trying to find the cash needed to cover unexpected expenses.

Regrettably, the evidence is clear: servicemembers and their families are sometimes easy targets for unscrupulous lenders. Even families that stay with mainstream lenders can struggle as the impact of separation and frequent moving takes a financial toll, leaving a family mired in debt and trying to digest reams of fine print.

Today, we have good news to report.

Holly Petraeus will take on a new role at the Consumer Financial Protection Bureau Implementation Team, directing our effort to establish an Office of Servicemember Affairs.

I had been at the consumer agency for only a couple of weeks when I met Holly. After we introduced ourselves, she got straight to the point: despite strong efforts by the Department of Defense and others, too many military families find themselves in financial trouble, scrambling hard to deal with mounting debts or falling into the arms of a predatory lender.

Holly was then serving as the Director of the Better Business Bureau (BBB) Military Line, a partnership between the BBB and the Department of Defense Financial Readiness Campaign that provides consumer education and advocacy for servicemembers and their families. She knew the challenges facing military families. Her son, brother, father, grandfather, and great-grandfather all served in our armed forces. Her husband, General David Petraeus, is serving now as Commander of the International Security Assistance Force and U.S. Forces in Afghanistan.

Holly was doing her best to help by teaching financial education classes to military personnel and in other ways, but she thought that as a country we needed to do more—and she thought the new consumer agency was the way to get things done. She listed one idea after another, focusing on better law enforcement, tighter rules, and stronger financial education. She wanted to see action now.

Wow, I thought. This woman is fired up.

It soon became clear that Holly would be the perfect person to guide the establishment of the office. She is the kind of leader we need.

Holly understands—from both her personal experience as a military spouse and her work at BBB—that men and women in our armed forces encounter unique financial obstacles. Recently-enlisted servicemembers often experience their first steady paycheck and their first opportunity to be lured into easy credit offers. Far too many also get tangled in debt traps. A recent online survey commissioned by the FINRA Foundation found that almost one in four of the enlisted personnel or junior NCO respondents had used a high-cost alternative borrowing method, such as a payday or auto title loan, in the previous five years. The same survey found that mainstream credit products can also pose problems: in the previous year, 53 percent of the enlisted personnel and junior NCOs had made only the minimum payment on a credit card, and 30 percent had made a late payment.

Financial problems can be a dangerous distraction for our troops. As Undersecretary of Defense for Personnel and Readiness Clifford L. Stanley wrote last year, servicemembers "and their families are under increasing stress. When we have asked in surveys about the causes, servicemembers responded that finances were second only behind work and career concerns and ahead of deployments, health, life events, family relationships and war/hostilities." Financial problems can also lead troops to lose their often essential security clearances. For example, the Department of the Navy reported in 2007 that financial management issues accounted for 78 percent of security clearance revocations and denials for Navy personnel.

Those who serve in the military should be able to focus on their jobs and their families without having to worry about getting trapped by abusive financial practices. America's national security depends on that basic premise. As Undersecretary Stanley wrote, the "personal financial readiness of our troops and families equates to mission readiness." Secretary of the Army John McHugh similarly has argued that "Soldiers who are distracted by financial issues at home are not fully focused on fighting the enemy, thereby decreasing mission readiness."

In her role at the new agency, Holly will continue her work to strengthen consumer financial protection for servicemembers. The Office of Servicemember Affairs will work in partnership with the Department of Defense to help ensure that: military families receive the financial education they need to make the best financial decisions for them; complaints and questions from military families are monitored and responded to; and federal and state agencies coordinate their activities to improve consumer protection measures for military families.

This month, Holly and I will visit Lackland Air Force base in San Antonio, Texas, where all three of my brothers took basic training. We will hear from servicemembers and financial counselors about the unique lending circumstances and challenges facing military communities. In this and in our later trips, we will ask many questions, listen to our troops, and apply what we learn directly to our efforts.

The goal of the new agency is to provide basic consumer protection and to be a voice for American families. Military families have unique challenges, and now they have a unique advocate to ensure that their special concerns get the attention they deserve.

Elizabeth Warren is Assistant to the President and Special Advisor to the Secretary of the Treasury for the Consumer Financial Protection Bureau

Warren Recruits Dodd-Frank Enforcers From 50 States
December 02, 2010, 2:44 PM EST *By Carter Dougherty*

Dec. 2 (Bloomberg) -- Elizabeth Warren, the Harvard University law professor deputized by President Obama to police consumer finance, is recruiting 50 state prosecutors to help. **She may even bankroll their work.**

"The state attorneys general are natural partners for the consumer agency," Warren, 61, said in an interview. "There are regulators in Washington that used to prevent state attorneys general from protecting consumers."

The attorneys general say they are now invited to the nation's capital and talk with Warren by telephone almost weekly as she sets up the Bureau of Consumer Financial Protection. On Nov. 30, Warren traveled to Fort Lauderdale, Florida, to plot strategy at the prosecutors' winter meeting.

Bernard Nash, a law partner at Dickstein Shapiro LLP in Washington, said Warren's alliance with state prosecutors will strengthen both her hand and theirs. It will also antagonize banks, who opposed the creation of the consumer bureau.

"There are going to be major consequences here," said Nash, who leads his firm's state attorneys general practice. "Instead of one enforcement arm, there are going to be 50 of them."

The Dodd-Frank financial overhaul that became law in July revamped the relationship between federal agencies and state enforcers, and Warren has seized on that change.

The law gives state attorneys general the authority to enforce regulations written by the new bureau in court, and allows the agency to take part in the case. A vote by a majority of the states can force the bureau to consider adopting a new regulation.

'Natural Partners'

Dodd-Frank also curbed the ability of national regulators, primarily the Office of the Comptroller of the Currency, to block state consumer protection actions. That's one reason large banks including JPMorgan Chase & Co. opposed the bill.

"We're not in favor of 50 states having enforcement, because that means it will be really hard to service you the customer," JPMorgan Chief Executive Officer Jamie Dimon said in a conference call last December. "If we do something like that, the customer will pay the price, not JPMorgan."

Ed Mierzwinski, director of the consumer program at US PIRG, said banks opposed the creation of the new agency because they preferred the status quo.

"There are many regulations, like tax systems, that modern companies deal with profitably across state lines," said Mierzwinski, whose Washington-based group supports the consumer bureau. "The real reason industry does not want 50 strong state laws is because they prefer one weak federal law."

Common Cause

Enlisting state attorneys general is part of Warren's strategy of making common cause with people who believe in the agency's new mission and can support it for the long term, she said.

"A long-term way to anchor the agency in consumer protection -- as opposed to bank protection -- is to anchor it to the state attorneys general," said Prentiss Cox, a former assistant attorney general in Minnesota and now a professor at the University of Minnesota law school.

Roy Cooper, the attorney general of North Carolina, said Warren has told them she wants states to help formulate new policies around mortgages and credit cards, her two top priorities. Last month, Cooper formed a group of attorneys general from Washington, Indiana, Illinois and Iowa to work with Warren on those issues and others.

'Portal of Complaints'

"We are the initial portal of complaints from consumers, and we can react more quickly than a federal agency," said Cooper, a Democrat who heads the National Association of Attorneys General. "But it will be interesting to see how nimble this new bureau will be."

The state AGs may help the bureau spot national trends more quickly, allowing faster enforcement, Cooper said.

"By leveraging our resources, we can make the whole greater than the parts," Warren said.

On financial issues, the OCC has long restrained state efforts to regulate or enforce standards on nationally chartered banks, said Chris Kukla, senior counsel for government affairs at the Center for Responsible Lending in Durham, North Carolina.

"The attorneys general see a chance to finally have a seat at the table in Washington," Kukla said.

'Preemption.' A key goal of state attorneys general in forging a close relationship with Warren is to influence regulations on "preemption," the legal doctrine that allows federal law to trump state law when they conflict, Cooper said.

"One of the reasons we are getting in early is to have a say on what these regulations say regarding preemption," Cooper said.

The American Bankers Association, which represents major banks, has placed a high priority on maintaining federal preemption for state actions, and downplays the role of state attorneys general.

"Ultimately, it is the court's decision on preemption, before as after Dodd-Frank," said Kenneth Clayton, senior vice- president and general counsel for card policy at the ABA.

During this week's Florida meeting, Warren said state attorneys general asked whether she could make federal money available to fund state enforcement efforts. She was non-committal: "It's one of the ideas on the table, but it's early in the game," Warren said.

The idea has precedent. For instance, the U.S. Department of Health and Human Services gives states grants to finance prosecutions of Medicaid fraud, said Greg Zoeller, the attorney general of Indiana

BRIEF SUMMARY OF THE DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT

Create a Sound Economic Foundation to Grow Jobs, Protect Consumers, Rein in Wall Street and Big Bonuses, End Bailouts and Too Big to Fail, Prevent Another Financial Crisis

Years without accountability for Wall Street and big banks brought us the worst financial crisis since the Great Depression, the loss of 8 million jobs, failed businesses, a drop in housing prices, and wiped out personal savings.

The failures that led to this crisis require bold action. We must restore responsibility and accountability in our financial system to give Americans confidence that there is a system in place that works for and protects them. We must create a sound foundation to grow the economy and create jobs.

HIGHLIGHTS OF THE LEGISLATION

Consumer Protections with Authority and Independence: Creates a new independent watchdog, housed at the Federal Reserve, with the authority to ensure American consumers get the clear, accurate information they need to shop for mortgages, credit cards, and other financial products, and protect them from hidden fees, abusive terms, and deceptive practices.

Ends Too Big to Fail Bailouts: Ends the possibility that taxpayers will be asked to write a check to bail out financial firms that threaten the economy by: creating a safe way to liquidate failed financial firms; imposing tough new capital and leverage requirements that make it undesirable to get too big; updating the Fed's authority to allow system-wide support but no longer prop up individual firms; and establishing rigorous standards and supervision to protect the economy and American consumers, investors and businesses.

Advance Warning System: Creates a council to identify and address systemic risks posed by large, complex companies, products, and activities before they threaten the stability of the economy.

Transparency & Accountability for Exotic Instruments: Eliminates loopholes that allow risky and abusive practices to go on unnoticed and unregulated -- including loopholes for over-the-counter derivatives, asset-backed securities, hedge funds, mortgage brokers and payday lenders.

Executive Compensation and Corporate Governance: Provides shareholders with a say on pay and corporate affairs with a non-binding vote on executive compensation and golden parachutes.

Protects Investors: Provides tough new rules for transparency and accountability for credit rating agencies to protect investors and businesses.

Enforces Regulations on the Books: Strengthens oversight and empowers regulators to aggressively pursue financial fraud, conflicts of interest and manipulation of the system that benefits special interests at the expense of American families and businesses.

STRONG CONSUMER FINANCIAL PROTECTION WATCHDOG

The Consumer Financial Protection Bureau

Independent Head: Led by an independent director appointed by the President and confirmed by the Senate.

***Elizabeth Warren – A Progressive Champion Of The Middle Class – Has Been Appointed To A Special White House Position To Oversee The Establishment Of This Board. She Was Supported By Progressives And Opposed By Wall Street Lobbyists And The GOP*

Independent Budget: Dedicated budget paid by the Federal Reserve system.

Independent Rule Writing: Able to autonomously write rules for consumer protections governing all financial institutions – banks and non-banks – offering consumer financial services or products.

Examination and Enforcement: Authority to examine and enforce regulations for banks and credit unions with assets of over $10 billion and all mortgage-related businesses (lenders, servicers, mortgage brokers, and foreclosure scam operators), payday lenders, and student lenders as well as other non-bank financial companies that are large, such as debt collectors and consumer reporting agencies. Banks and Credit Unions with assets of $10 billion or less will be examined for consumer complaints by the appropriate regulator.

Consumer Protections: Consolidates and strengthens consumer protection responsibilities currently handled by a host of different agencies, which also have the responsibilities to support the banks and lenders.

Able to Act Fast: With this Bureau on the lookout for bad deals and schemes, consumers won't have to wait for Congress to pass a law to be protected from bad business practices.

Educates: Creates a new Office of Financial Literacy.

Consumer Hotline: Creates a national consumer complaint hotline so consumers will have, for the first time, a single toll-free number to report problems with financial products and services.

Accountability: Makes one office accountable for consumer protections. With many agencies sharing responsibility, it's hard to know who is responsible for what, and easy for emerging problems that haven't historically fallen under anyone's purview, to fall through the cracks.

Works with Bank Regulators: Coordinates with other regulators when examining banks to prevent undue regulatory burden. Consults with regulators before a proposal is issued and regulators could appeal regulations they believe would put the safety and soundness of the banking system or the stability of the financial system at risk.

SEC AND IMPROVING INVESTOR PROTECTIONS

Fiduciary Duty: Gives SEC the authority to impose a fiduciary duty on brokers who give investment advice --the advice must be in the best interest of their customers.

Encouraging Whistleblowers: Creates a program within the SEC to encourage people to report securities violations, creating rewards of up to 30% of funds recovered for information provided.

SEC Management Reform: Mandates a comprehensive outside consultant study of the SEC, an annual assessment of the SEC's internal supervisory controls and GAO review of SEC management.

New Advocates for Investors: Creates the Investment Advisory Committee, a committee of investors to advise the SEC on its regulatory priorities and practices; the Office of Investor Advocate in the SEC, to identify areas where investors have significant problems dealing with the SEC and provide them assistance; and an ombudsman to handle investor complaints.

SEC Funding: Provides more resources to the chronically underfunded agency to carry out its new duties.

Federal Insurance Office: Creates the first ever office in the Federal government focused on insurance. The Office, as established in the Treasury, will gather information about the insurance industry, including access to affordable insurance products by minorities, low- and moderate- income persons and underserved communities. The Office will also monitor the insurance industry for systemic risk purposes.

International Presence: The Office will serve as a uniform, national voice on insurance matters for the United States on the international stage.

Streamlines regulation of surplus lines insurance and reinsurance through state-based reforms.

LOOKING OUT FOR THE NEXT BIG PROBLEM: ADDRESSING SYSTEMIC RISKS

The Financial Stability Oversight Council

Tough to Get Too Big: Makes recommendations to the Federal Reserve for increasingly strict rules for capital, leverage, liquidity, risk management and other requirements as companies grow in size and complexity, with significant requirements on companies that pose risks to the financial system.

Regulates Nonbank Financial Companies: Authorized to require, with a 2/3 vote and vote of the chair, that a nonbank financial company be regulated by the Federal Reserve if the council believe there would be negative effects on the financial system if the company failed or its activities would pose a risk to the financial stability of the US.

Break Up Large, Complex Companies: Able to approve, with a 2/3 vote and vote of the chair, a Federal Reserve decision to require a large, complex company, to divest some of its holdings if it poses a grave threat to the financial stability of the United States - but only as a last resort.

Make Risks Transparent: Through the Office of Financial Research and member agencies the council will collect and analyze data to identify and monitor emerging risks to the economy and make this information public in periodic reports and testimony to Congress every year.

No Evasion: Large bank holding companies that have received TARP funds will not be able to avoid Federal Reserve supervision by simply dropping their banks. (the "Hotel California" provision)

Capital Standards: Establishes a floor for capital that cannot be lower than the standards in effect today and authorizes the Council to impose a 15-1 leverage requirement at a company if necessary to mitigate a grave threat to the financial system.

ENDING TOO BIG TO FAIL BAILOUTS

Limiting Large, Complex Financial Companies and Preventing Future Bailouts

No Taxpayer Funded Bailouts: Clearly states taxpayers will not be on the hook to save a failing financial company or to cover the cost of its liquidation.

Discourage Excessive Growth & Complexity:

Volcker Rule: Requires regulators implement regulations for banks, their affiliates and holding companies, to ***prohibit proprietary trading***, investment in and sponsorship of hedge funds and private equity funds, and to limit relationships with hedge funds and private equity funds. Nonbank financial institutions supervised by the Fed also have restrictions on proprietary trading and hedge fund and private equity investments. The Council will study and make recommendations on implementation to aid regulators.

Extends Regulation: The Council will have the ability to require nonbank financial companies that pose a risk to the financial stability of the United States to submit to supervision by the Federal Reserve.

Liquidation: Creates an orderly liquidation mechanism for FDIC to unwind failing systemically significant financial companies. Shareholders and unsecured creditors bear losses and management and culpable directors will be removed.

Costs to Financial Firms, Not Taxpayers: Taxpayers will bear no cost for liquidating large, interconnected financial companies. FDIC can borrow only the amount of funds to liquidate a company that it expects to be repaid from the assets of the company being liquidated. The government will be first in line for repayment. Funds not repaid from the sale of the company's assets will be repaid first through the claw back of any payments to creditors that exceeded liquidation value and then assessments on large financial companies, with the riskiest paying more based on considerations included in a risk matrix

Bankruptcy: Most large financial companies that fail are expected to be resolved through the bankruptcy process.

Limits on Debt Guarantees: To prevent bank runs, the FDIC can guarantee debt of solvent insured banks, but only after meeting serious requirements: 2/3 majority of the Board and the FDIC board must determine there is a threat to financial stability; the Treasury Secretary approves terms and conditions and sets a cap on overall guarantee amounts; the President activates an expedited process for Congressional approval.

CREATING TRANSPARENCY AND ACCOUNTABILITY FOR DERIVATIVES

Bringing Transparency and Accountability to the Derivatives Market

Central Clearing and Exchange Trading: Requires central clearing and exchange trading for derivatives that can be cleared and provides a role for both regulators and clearing houses to determine which contracts should be cleared.

Closes Regulatory Gaps: Provides the SEC and CFTC with authority to regulate over-the-counter derivatives so that irresponsible practices and excessive risk-taking can no longer escape regulatory oversight.

Market Transparency: Requires data collection and publication through clearing houses or swap repositories to improve market transparency and provide regulators important tools for monitoring and responding to risks.

Financial safeguards: Adds safeguards to system by ensuring dealers and major swap participants have adequate financial resources to meet responsibilities. Provides regulators the authority to impose capital and margin requirements on swap dealers and major swap participants, not end users.

Higher standard of conduct: Establishes a code of conduct for all registered swap dealers and major swap participants when advising a swap entity. When acting as counterparties to a pension fund, endowment fund, or state or local government, dealers are to have a reasonable basis to believe that the fund or governmental entity has an independent representative advising them.

NEW OFFICES OF MINORITY AND WOMEN INCLUSION

At federal banking and securities regulatory agencies, the bill establishes an Office of Minority and Women Inclusion that will, among other things, address employment and contracting diversity matters. The offices will coordinate technical assistance to minority-owned and women-owned businesses and seek diversity in the workforce of the regulators.

MORTGAGE REFORM

Require Lenders Ensure a Borrower's Ability to Repay: Establishes a simple federal standard for all home loans: institutions must ensure that borrowers can repay the loans they are sold.

Prohibit Unfair Lending Practices: Prohibits the financial incentives for subprime loans that encourage lenders to steer borrowers into more costly loans, including the bonuses known as "yield spread premiums" that lenders pay to brokers to inflate the cost of loans. Prohibits pre-payment penalties that trapped so many borrowers into unaffordable loans.

Establishes Penalties for Irresponsible Lending: Lenders and mortgage brokers who don't comply with new standards will be held accountable by consumers for as high as three-years of interest payments and damages plus attorney's fees (if any). Protects borrowers against foreclosure for violations of these standards.

Expands Consumer Protections for High-Cost Mortgages: Expands the protections available under federal rules on high-cost loans – lowering the interest rate and the points and fee triggers that define high cost loans.

Requires Additional Disclosures for Consumers on Mortgages: Lenders must disclose the maximum a consumer could pay on a variable rate mortgage, with a warning that payments will vary based on interest rate changes.

Housing Counseling: Establishes an Office of Housing Counseling within HUD to boost homeownership and rental housing counseling.

TACKLING THE EFFECTS OF THE MORTGAGE CRISIS

Neighborhood Stabilization Program: Provides $1 billion to States and localities to combat the ugly impact on neighborhood of the foreclosure crisis -- such as falling property values and increased crime - by rehabilitating, redeveloping, and reusing abandoned and foreclosed properties.

Emergency Mortgage Relief: Building on a successful Pennsylvania program, provides $1 billion for bridge loans to qualified unemployed homeowners with reasonable prospects for reemployment to help cover mortgage payments until they are reemployed.

Foreclosure Legal Assistance. Authorizes a HUD administered program for making grants to provide foreclosure legal assistance to low- and moderate-income homeowners and tenants related to home ownership preservation, home foreclosure prevention, and tenancy associated with home foreclosure.

INSURANCE CREDIT SCORE PROTECTION

Monitor Personal Financial Rating: Allows consumers free access to their credit score if their score negatively affects them in a financial transaction or a hiring decision. Gives consumers access to credit score disclosures as part of an adverse action and risk-based pricing notice.

HEDGE FUNDS

Raising Standards and Regulating Hedge Funds

Fills Regulatory Gaps: Ends the "shadow" financial system by requiring hedge funds and private equity advisors to register with the SEC as investment advisers and provide information about their trades and portfolios necessary to assess systemic risk. This data will be shared with the systemic risk regulator and the SEC will report to Congress annually on how it uses this data to protect investors and market integrity.

Greater State Supervision of hedge funds with less that $100 million in assets: Raises the assets threshold for federal regulation of investment advisers from $30 million to $100 million, a move expected to significantly increase the number of advisors under state supervision. States have proven to be strong regulators in this area and
subjecting more entities to state supervision will allow the SEC to focus its resources on newly registered hedge funds.

CREDIT RATING AGENCIES

New Requirements and Oversight of Credit Rating Agencies

New Office, New Focus at SEC: Creates an Office of Credit Ratings at the SEC with expertise and its own compliance staff and the authority to fine agencies. The SEC is required to examine Nationally Recognized Statistical Ratings Organizations at least once a year and make key findings public.

Disclosure: Requires Nationally Recognized Statistical Ratings Organizations to disclose their methodologies, their use of third parties for due diligence efforts, and their ratings track record.

Independent Information: Requires agencies to consider information in their ratings that comes to their attention from a source other than the organizations being rated if they find it credible.

Conflicts of Interest: Prohibits compliance officers from working on ratings, methodologies, or sales; installs a new requirement for NRSROs to conduct a one-year look-back review when an NRSRO employee goes to work for an obligor or underwriter of a security or money market instrument subject to a rating by that NRSRO; and mandates that a report to the SEC when certain employees of the NRSRO go to work for an entity that the NRSRO has rated in the previous twelve months.

Liability: Investors can bring private rights of action against ratings agencies for a knowing or reckless failure to conduct a reasonable investigation of the facts or to obtain analysis from an independent source. NRSROs will now be subject to "expert liability" with the nullification of Rule 436(g) which provides an exemption for credit ratings provided by NRSROs from being considered a part of the registration statement.

Right to Deregister: Gives the SEC the authority to deregister an agency for providing bad ratings over time.

Education: Requires ratings analysts to pass qualifying exams and have continuing education.

Eliminates Many Statutory and Regulatory Requirements to Use NRSRO Ratings: Reduces over-reliance on ratings and encourages investors to conduct their own analysis.

Independent Boards: Requires at least half the members of NRSRO boards to be independent, with no financial stake in credit ratings.

Ends Shopping for Ratings: The SEC shall create a new mechanism to prevent issuers of asset backed-securities from picking the agency they think will give the highest rating, after conducting a study and after submission of the report to Congress.

EXECUTIVE COMPENSATION AND CORPORATE GOVERNANCE
Gives Shareholders a Say on Pay and Creating Greater Accountability

Vote on Executive Pay and Golden Parachutes: Gives shareholders a say on pay with the right to a non-binding vote on executive pay and golden parachutes. This gives shareholders a powerful opportunity to hold accountable executives of the companies they own, and a chance to disapprove where they see the kind of misguided incentive schemes that threatened individual companies and in turn the broader economy.

Nominating Directors: Gives the SEC authority to grant shareholders proxy access to nominate directors. These requirements can help shift management's focus from short-term profits to long-term growth and stability.

Independent Compensation Committees: Standards for listing on an exchange will require that compensation committees include only independent directors and have authority to hire compensation consultants in order to strengthen their independence from the executives they are rewarding or punishing.

No Compensation for Lies: Requires that public companies set policies to take back executive compensation if it was based on inaccurate financial statements that don't comply with accounting standards.

SEC Review: Directs the SEC to clarify disclosures relating to compensation, including requiring companies to provide charts that compare their executive compensation with stock performance over a five-year period.

IMPROVEMENTS TO BANK AND THRIFT REGULATIONS

Volcker Rule Implements a strengthened version of the Volcker rule by not allowing a study of the issue to undermine the prohibition on proprietary trading and investing a banking entity's own money in hedge funds, with a *de minimis* exception for funds where the investors require some "skin in the game" by the investment advisor--up to 3% of tier 1 capital in the aggregate

Stronger lending limits: Adds credit exposure from derivative transactions to banks' lending limits.

Interest on business checking: Repeals the prohibition on banks paying interest on demand deposits.

Charter Conversions: Removes a regulatory arbitrage opportunity by prohibiting a bank from converting its charter (unless both the old regulator and new regulator do not object) in order to get out from under an enforcement action.

Establishes New Offices of Minority and Women Inclusion at the federal financial agencies

INTERCHANGE FEES

Protects Small Businesses from Unreasonable Fees: Requires Federal Reserve to issue rules to ensure that fees charged to merchants by credit card companies debit card transactions are reasonable and proportional to the cost of processing those transactions.

SECURITIZATION

Reducing Risks Posed by Securities

Skin in the Game: Requires companies that sell products like mortgage-backed securities to retain at least 5% of the credit risk, unless the underlying loans meet standards that reduce riskiness. That way if the investment doesn't pan out, the company that packaged and sold the investment would lose out right along with the people they sold it to.

Better Disclosure: Requires issuers to disclose more information about the underlying assets and to analyze the quality of the underlying assets.

MUNICIPAL SECURITIES
Better Oversight of Municipal Securities Industry

Registers Municipal Advisors: Requires registration of municipal advisors and subjects them rules written by the MSRB and enforced by the SEC.

Puts Investors First on the MSRB Board: Ensures that at all times, the MSRB must have a majority of independent members, to ensure that the public interest is better protected in the regulation of municipal securities.

Fiduciary Duty: Imposes a fiduciary duty on advisors to ensure that they adhere to the highest standard of care when advising municipal issuers.

Congo Conflict Minerals:

Manufacturers Disclosure: Requires those who file with the SEC and use minerals originating in the Democratic Republic of Congo in manufacturing to disclose measures taken to exercise due diligence on the source and chain of custody of the materials and the products manufactured.

Illicit Minerals Trade Strategy: Requires the State Department to submit a strategy to address the illicit minerals trade in the region and a map to address links between conflict minerals and armed groups and establish a baseline against which to judge effectiveness.

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December 22, 2010 Wednesday

HEADLINE: New consumer agency is frightfully necessary — and late; Foreclosure crisis

BYLINE: Elizabeth Warren; elizabethwarren@do.treas.gov

No one has missed the headlines: Haphazard and possibly illegal practices at mortgage-servicing companies have called into question home foreclosures across the nation.

The latest disclosures are deeply troubling, but they should not come as a big surprise. For years, both individual homeowners and consumer advocates sounded alarms that foreclosure processes were riddled with problems.

While federal and state investigators are still examining exactly what has gone wrong and why, two things are clear.

First, several financial services companies have already admitted that they used "robo-signers," false declarations, and other workarounds to cut corners, creating a legal nightmare that will waste time and money that could have been better spent to help this economy recover. Mortgage lenders will spend millions of dollars retracing their steps, often with the same result that families who cannot pay will lose their homes.

Second, this mess might well have been avoided if the Consumer Financial Protection Bureau had been in place just a few years ago.

The new consumer agency is one of the signature accomplishments of the Dodd-Frank Wall Street Reform and Consumer Protection Act signed into law by President Obama this summer.

The new agency will take on oversight responsibilities that had been scattered among several federal agencies, and it will be a new cop on the beat that will end big loopholes in the regulatory system.

For the first time, banks and non-bank lenders (such as payday lenders, check cashers and mortgage brokers) will be subject to the same federal oversight to ensure that they are all playing by the same rules-no more turning sideways and slipping through the regulatory cracks.

Lost in much of the back-and-forth over wrongful foreclosures is the question of whether the scandal could have been prevented. The answer is yes.

The practices now under investigation took root and grew because there was no single federal regulator with both the responsibility and the tools to look out for consumers.

Had it existed, the new consumer agency could have stopped these problems before they multiplied. Many of the failures already admitted were not sophisticated scams that had been carefully concealed. By enforcing existing laws and involving state authorities early on, the agency could have made sure that the law was respected. No one would need to wonder whether the world of borrowing and lending works only one way: Families have to follow the legal rules, but the rules are optional for big banks.

Once it is fully operational, the new consumer agency will have supervisory authority over all large mortgage servicers. It will be able to examine them on a regular basis to make sure they follow the rules. If those servicers decide it is cheaper or faster to circumvent federal law, the consumer agency will have the tools to hold them accountable.

No one will be allowed to break the rules without triggering a strong and prompt federal response.

Currently, the federal interagency foreclosure task force, including the members of the Financial Services Oversight Council, is working along with the state Attorneys General to get to the bottom of these problems. The implementation team for the new consumer agency is also working to assemble and coordinate teams to deal with servicing and other issues.

These efforts are critical, but there is more work to do: We must ensure this kind of scandal-or some close cousin-does not happen again.

A mortgage is the biggest financial commitment most Americans will make in a lifetime, and the toll on Florida has been especially heavy and the need for oversight particularly apparent. A few weeks ago, I watched proceedings in a Fort Lauderdale foreclosure court and saw firsthand the painful outcomes for numerous families.

Unfair servicing practices can worsen a family's already difficult economic situation, and the injury echoes from the family to the community and ultimately throughout the economy. Cops on the beat can stop problems before the damage spreads. If there ever was any doubt that the new consumer agency is necessary, the latest foreclosure developments should put that to rest.

Elizabeth Warren is the special advisor to the secretary of the Treasury for the Consumer Financial Protection Bureau and an assistant to the president.

The Wall Street Journal

October 1, 2010 Friday

HEADLINE: It's Time To Simplify Financial Regulation

BYLINE: By Elizabeth Warren

Three generations ago, President Franklin Roosevelt appointed Joseph P. Kennedy to the new Securities and Exchange Commission. The president's selection of a businessman outraged many at the time. One commentator described it as "setting a wolf to guard a flock of sheep."

Shortly after he was appointed, Kennedy observed: "Everybody says that what business needs is confidence. I agree. Confidence that if business does the right thing it will be protected and given a chance to live, make profits and grow, helping itself and helping the country. . . . We are not working on the theory that all the men and all the women connected with finance, either as workers or investors, are to be regarded as guilty of some undefined crime. On the contrary, we hold that business based on good will should be encouraged." Based on that premise, Kennedy used regulation to strengthen America's financial markets and help protect investors.

Thanks to the new Dodd-Frank reform law, for the first time we will have a single federal agency charged with writing the rules for all mortgages and all credit cards -- regardless of whether they are issued by a federally chartered bank, a state chartered credit union, or a group of unlicensed investors.

Banks and non-bank lenders will now be subject to the same federal oversight to ensure that they are playing by the same rules. The new law will also consolidate critical consumer financial protection activities now performed by seven different agencies into one agency.

Perhaps most remarkably, the agency will not simply create new regulations: It has the power to get rid of old ones that are outdated, expensive or don't work. This new framework will provide major opportunities for the financial services industry and significant relief for American families.

But the deeper issue that this agency will face is how to determine when it should act and when it should not. It would be possible to move forward primarily with a "thou shalt not" approach, declaring regulations like an omniscient oracle. It would also be possible to focus simply on adding more disclosures that would drive up costs for the industry, while giving consumers more paper to throw away.

I think we should take a different approach.

Three and a half years ago, the Financial Services Roundtable -- a trade association representing America's biggest banks -- embraced a new, principles-based regulatory framework. Their first principle is "Fair treatment for consumers." Their explanation of how to tell if that principle has been met is based on a few straightforward questions: Can customers understand the product? Can they figure out the costs and risks of a given product? And can they compare products in the marketplace?

Moving forward, the new agency should focus on the very same questions.

For consumers, this would mean products that are easy to understand and compare. For lenders, regulatory compliance costs might be reduced. Competition would flourish, but in ways that consumers can see, such as better service and lower prices.

Two weeks ago, President Obama appointed me to serve as his assistant, and Treasury Secretary Timothy Geithner asked me to serve as his special adviser responsible for getting the new Consumer Financial Protection Bureau off the ground. Shortly after the president walked me into the Rose Garden to announce my appointment, I started calling the CEOs of financial institutions. My first day on the job, I met with community bankers from Oklahoma. The following day I met with credit union leaders. On Wednesday night, I walked into an audience of several hundred industry leaders at a Financial Services Roundtable event to ask them to help us repair a broken consumer credit market.

The very early feedback I've received indicates that the industry is eager for simplification. Some bankers have told me that a short, easy-to-read agreement is exactly what they want. And many others have expressed their interest in working with the new agency to advance a robust market for consumer credit -- one that produces real competition that benefits millions of Americans.

At the birth of this new agency, we have a remarkable opportunity to put aside misconceptions and work together. Let's build something better for families, for the financial industry, and for the American economy.

Ms. Warren is an assistant to the president and a special adviser to the secretary of the Treasury for the Consumer Financial Protection Bureau.

May 9, 2010 Sunday

HEADLINE: Fine print

BYLINE: Elizabeth Warren

All of life is in the fine print -- and that's precisely the problem.

Contract law is based on the idea that two people can come together and strike a deal, knowing that the courts will enforce their agreement if something goes wrong. I teach contract law, and I firmly believe that it is the foundation of our free-market economy and critical to personal liberty.

Over the past generation, the proliferation of fine print, in everything from car loans to credit card applications to television commercials, has shaken what we value about contracts. Fine print means that one party (think: a big corporation) can lay down the terms of the deal in a way that the other party (think: a customer) is unlikely to figure out. Long after the contract has been signed, the party that inserted all the fine print can do almost anything -- raise prices, cut service, extend the contract -- all because the fine print says so.

Remember that our current financial crisis began one lousy mortgage at a time -- one lousy, incomprehensible, complex mortgage loaded with tripwires and legalese at a time. Many borrowers knew they were engaging in a high-risk game, but millions of others were unaware of what they had agreed to until the foreclosure notices started coming.

Fine print costs everyone else money, too, because it makes products impossible to compare. (Just look at four credit card agreements and try identifying the cheapest one.) By decreasing competition, fine print increases prices.

My proposal is simple: no more fine print. If you can't explain something in simple, straightforward terms, it shouldn't be part of the agreement.

Elizabeth Warren is the Leo Gottlieb professor of law at Harvard Law School. She chairs the congressional panel overseeing the Troubled Assets Relief Program (TARP).

THE NATIONAL
LAW JOURNAL
& Legal Times

An ALM publication

FEBRUARY 7, 2011

Agenda Unknown

As financial protection bureau staffs up, mission details are murky.

BY JENNA GREENE

Ask lawyers to describe the new Consumer Financial Protection Bureau, and they respond with three adjectives: enormous, powerful—and unknown.

Slated to open on July 21, the regulatory entity created by the Dodd-Frank Act seems sure to generate enough rulemakings and enforcement actions to sustain entire practice groups.

THE DODD-FRANK ACT

If only lawyers knew quite what it was going to do. "Clients have questions and

SEE CFPB, PAGE 11

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BY DAVID BARIO

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BY SHERI QUALTERS

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The Son Also Rises

Questions abound over protection

CFPB, FROM PAGE 1

you can't answer them, you really can't," said Robert Clarke, who was comptroller of the currency from 1985 until 1992 and is now a senior partner at Bracewell & Giuliani in Houston. "My clients are sitting around and saying, 'How can we plan when we have no idea what's coming down the pipeline?' "

Under Dodd-Frank, the bureau is charged with regulating mortgages, credit cards, loans, credit reporting bureaus, debt collectors and other financial products and services. It will have 700 to 1,000 employees and a budget of up to $500 million funded independently by Federal Reserve fees.

"Basically, the Consumer Financial Protection Bureau will be a watchdog for the American consumer, charged with enforcing the toughest financial protections in history," said President Obama in September when he appointed Harvard Law School professor Elizabeth Warren to oversee the agency's launch until a director is confirmed by the U.S. Senate.

To lawyers who anticipate representing clients before the agency, one of the most crucial questions is who will run it. Warren—viewed as "the devil incarnate" by the banking industry, Clarke said—is the bureau's architect. She called for its creation in her 2007 article, "Unsafe at Any Rate," arguing that credit should be subject to safety regulations, just like toasters and other physical products.

If she is ultimately nominated to serve as director, as some think she will be, she's bound to face a fierce confirmation battle in the Senate. Four state attorneys general—Tom Miller of Iowa, Lisa Madigan of Illinois, Ray Cooper of North Carolina and Martha Coakley of Massachusetts—have also been contacted about the top job, according to Bloomberg.

Another name in the mix is Melissa Bean, a three-term House Democrat from Illinois who narrowly lost her re-election bid in November. Also mentioned are Assistant Treasury Secretary Michael Barr, New York state bank regulator Richard Neiman and former Office of Thrift Supervision director Ellen Seidman.

AWKWARD LIFTOFF

To McDermott Will & Emery partner Stephen Ryan, who heads the firm's government strategies practice, the leadership limbo is exacting a toll. "It's the most awkward liftoff I've ever seen of a new agency," he said. "Professor Warren is setting policies for a successor who in all likelihood can't be her.... It's like putting rocks in your pocket. It's already hard enough to stand up. There's a fractured agency structure to begin with."

Key legal positions, however, have recently been filled. Former Ohio Attorney General Richard Cordray—who in October said banks had "a business model built on fraud" when it comes to mortgage foreclosures—has been named head of the enforcement division. "I certainly see targeting big banks as one of his priorities," said Kelley Drye & Warren partner Christie Grymes, who is based in Washington and chairs the firm's consumer product safety practice group. Cordray also provides a bridge to other state attorneys general, who under Dodd-Frank have the authority to enforce the bureau's regulations in court.

RICHARD CORDRAY: The former Ohio attorney g
named to head the bureau's enforcement divi

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Kennedy's principal deputy is Meredith Fuchs, previously chief investigative counsel for the House Committee on Energy and Commerce. She's also a former partner at Wiley Rein.

Both deputy general counsel are alums of Wilmer Cutler Pickering Hale and Dorr, a firm known for its revolving-door ties to another key financial regulator, the U.S. Securities and Exchange Commission. One-time Wilmer litigation associate Roberto Gonzalez joins the agency from the Office of White House Counsel, and Michael Gordon, formerly counsel to Wilmer, comes from the Treasury Department's office of the general counsel.

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OVERLAPPING AG

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ound over protection bureau's mission

ting policies for a successor who in all likelihood can't be her.... It's like putting rocks in your pocket. It's already hard enough to stand up. There's a fractured agency structure to begin with."

Key legal positions, however, have recently been filled. Former Ohio Attorney General Richard Cordray—who in October said banks had "a business model built on fraud" when it comes to mortgage foreclosures—has been named head of the enforcement division. "I certainly see targeting big banks as one of his priorities," said Kelley Drye & Warren partner Christie Grymes, who is based in Washington and chairs the firm's consumer product safety practice group. Cordray also provides a bridge to other state attorneys general, who under Dodd-Frank have the authority to enforce the bureau's regulations in court.

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Two lawyers from the Federal Trade Commission's Division of Financial Practices, Alice Hrdy and Lucy Morris, have been detailed to the bureau since its inception in September.

OVERLAPPING AGENDAS

Given the potential for overlap between the two agencies, the move makes sense. The new bureau has authority to enforce most existing consumer financial protection laws, such as the Truth-in-Lending Act and the Fair Credit Reporting Act. It's also charged with stopping unfair, deceptive or abusive acts (similar to Section 5 of the FTC Act), and assumes the FTC's authority to write rules or issue reports covering those who offer financial services to consumers.

In addition, the two agencies can enforce each other's rules and intervene in each other's cases. A memorandum of understanding is in the works to make sure they don't duplicate efforts.

In a Jan. 20 speech to the U.S. Chamber of Commerce, FTC Chairman Jon Leibowitz reassured members that "neither agency will have the time to double-team the legitimate businesses the Chamber represents," he said, adding that the list of bad actors is "long enough that no one in this room need worry about double jeopardy."

The bureau also picks up authority from a half-dozen other agencies including the Federal Reserve, the Treasury Department and the Department of Housing and Urban Development.

"I hope the bureau can work cooperatively with existing regulators rather than having it be a 'Who Can Regulate the Heaviest' contest," said Morgan, Lewis & Bockius business and finance partner Kathleen Collins, who is based in Washington. She said one of the first questions for the bureau is determining who will be subject to its authority as "nondepository-covered persons."

This could include Wal-Mart Stores Inc., for example, which offers check cashing and money transfers at its 1,500 Money Centers, or Best Buy Co. Inc., which has kiosks in its stores where customers can pay their utility bills. "It's a huge number of parties to be regulated," Collins said. "No one wants to be a covered person."

Another unknown is whether the bureau will emulate the banking regulators' model of enforcement, in which examination of an entity typically precedes an action, or the "FTC route, where they immediately act on consumer complaints," said Arnold & Porter's DeSimone.

Ryan of McDermott Will predicted the bureau will move swiftly to crack down on pay-day and tax-refund loans.

But he noted that millions of people use these products, and taking them away amounts to "treating taxpayers like dogs not allowed to eat the dog food they want." As the bureau moves forward, Ryan said, he hopes its focus will be on "notice, education and transparency, rather than telling people they can't do something."

Another "first-tier priority" is likely to be credit card and mortgage disclosures, said Jacob Lutz, a Richmond, Va., partner who chairs Troutman Sanders' financial institutions practice group.

To Lutz, the agency stands to be a "900-pound gorilla," he said. "Every time a consumer makes a financial transaction, the goal of the agency is to ensure the consumer's interest is protected. It's an enormous mandate."

Jenna Greene can be contacted at jgreene@alm.com.

February 21, 2011
Monday

[redacted]

4:00 PM - 4:30 PM	ETS YES - Phone Call with Elizabeth Warren and Richard Cordray

[redacted]

February 14, 2011
Monday

[redacted]

11:30 AM - 12:30 PM — **ETS YES - Prep Session for Elizabeth Warren Meeting -- 120 Broadway, 25th Floor**
STAFF: Christina Harvey, Greg Krakower, Jeff Powell, Melissa DeRosa, maybe Clifton Poole.

[redacted]

Yolanda Jackson

From: Terryl Brown
Sent: Monday, April 11, 2011 10:16 AM
To: Yolanda Jackson
Subject: Fw: Meeting with Prof. Warren

1

Message sent from a Blackberry device

----- Original Message -----
From: Jackie Dischell
To: Terryl Brown
Sent: Fri Apr 08 11:51:58 2011
Subject: FW: Meeting with Prof. Warren

FYI

-----Original Message-----
From: Leandra.English@treasury.gov [mailto:Leandra.English@treasury.gov]
Sent: Monday, February 14, 2011 11:21 AM
To: Jackie Dischell
Subject: RE: Meeting with Prof. Warren

Thanks so much Jackie - I appreciate it, I hope that I'm not inconveniencing, I'll just come upstairs with her then wait in the waiting room. I can make calls, etc. from my phone.

Thanks so much,

Leandra

-----Original Message-----
From: Jackie Dischell [mailto:Jackie.Dischell@ag.ny.gov]
Sent: Monday, February 14, 2011 11:19 AM
To: English, Leandra (CFPB)
Subject: RE: Meeting with Prof. Warren

Hi Leandra,

It's no problem at all. Feel free to wait here. We have a waiting room where you're more than welcome to wait and/or you're more than welcome to wait in my office if you need to make phone calls or anything. I can also get you on a computer if you need to work while you wait.

Let me know if you need anything else.

Thanks so much,
Jackie

Jackie Dischell
Office of the New York State Attorney General
212.416.8997 (desk)
917.363.1668 (cell)

-----Original Message-----
From: Leandra.English@treasury.gov [mailto:Leandra.English@treasury.gov]
Sent: Monday, February 14, 2011 11:16 AM
To: Jackie Dischell
Subject: RE: Meeting with Prof. Warren

Thank you Jackie for this info.

I'll probably walk her into the building, if that's ok, then I will leave her with you - unless it's possible for me to sit and wait for her in your office. Whichever is easiest on your end works for me.

Thanks for your help with this!

Leandra

-----Original Message-----
From: Jackie Dischell [mailto:Jackie.Dischell@ag.ny.gov]
Sent: Monday, February 14, 2011 9:57 AM
To: English, Leandra (CFPB)
Subject: RE: Meeting with Prof. Warren

Hi Leandra,

Just wanted to confirm the meeting between Prof. Warren and the AG today at 3:30.

As I mentioned before, she should enter the building (120 Broadway) at the Nassau Street entrance, between Cedar and Pine Streets. There is an AG sign-in area to the right; her name will be on the list. Once she signs-in, she should proceed to the 25th floor. When Prof. Warren reaches reception, she can ask for me and I'll bring her back to the AG.

Please let me know if you have any questions or require further information.

Thanks so much,
Jackie

Jackie Dischell
Office of the New York State Attorney General
212.416.8997 (desk)
917.363.1668 (cell)

-----Original Message-----
From: Leandra.English@treasury.gov [mailto:Leandra.English@treasury.gov]
Sent: Tuesday, February 08, 2011 4:07 PM
To: Jackie Dischell
Subject: RE: Meeting with Prof. Warren

Good afternoon,

Thanks again Jackie (and please extend our thanks to General Schneiderman) for your flexibility with our meeting next Monday. We very much appreciate the chance to meet with him, and for your patience!

I assume we'll be in the same location you mentioned earlier. Let me know if there is anything else that I can provide or if I can be helpful in any way. Prof. Warren is looking forward to visiting at 3:30 on the 14th!

Thanks again,

Leandra

-----Original Message-----
From: Jackie Dischell [mailto:Jackie.Dischell@ag.ny.gov]
Sent: Sunday, February 06, 2011 12:51 PM
To: English, Leandra (CFPB)
Subject: RE: Meeting with Prof. Warren

Hi Leandra,

The AG would love to meet with Ms. Warren on February 14th. Is she available to come to our Manhattan offices and have lunch with the AG at 1:00 PM? If so, let's talk tomorrow re: details.

Thanks so much,
Jackie

Jackie Dischell
Office of the New York State Attorney General
212.416.8997 (desk)
917.363.1668 (cell)

-----Original Message-----
From: Leandra.English@treasury.gov [mailto:Leandra.English@treasury.gov]
Sent: Thursday, February 03, 2011 3:57 PM
To: Jackie Dischell
Subject: RE: Meeting with Prof. Warren

That's wonderful, thank you very much Jackie.

-----Original Message-----
From: Jackie Dischell [mailto:Jackie.Dischell@ag.ny.gov]
Sent: Thursday, February 03, 2011 3:56 PM
To: English, Leandra (CFPB)
Subject: RE: Meeting with Prof. Warren

Hi Leandra,

Thanks for reaching out to me. I'll run this by the AG and will hopefully have an answer for you by tomorrow or Monday at the latest.

Please let me know if you need anything else.

Thanks so much,
Jackie

Jackie Dischell
Office of the New York State Attorney General
212.416.8997 (desk)
917.363.1668 (cell)

From: Leandra.English@treasury.gov [mailto:Leandra.English@treasury.gov]
Sent: Thursday, February 03, 2011 3:45 PM
To: Jackie Dischell
Subject: Meeting with Prof. Warren

Good afternoon Jackie -

I hope you are well. This is Leandra English from Prof. Elizabeth Warren's office at the Consumer Financial Protection Bureau (currently housed at Treasury). She's spent the last few months reaching out to Attorneys General around the country, and was hoping that General Schneiderman might be available in the future for a meeting with her. I think that you are located in Albany, but Prof. Warren makes it up to New York City about once a month.

She'll next be up on February 14th. I realize that this is very short notice, but is there any chance he'd be in Manhattan and willing to take a meeting on that day? If not, we'll let you know when she is next in town and hope that we can make something work.

Thanks so much for your help - happy to answer any questions,

Leandra

Leandra English
202-435-7355

NEW YORK TIMES ARTICLES REGARDING THE CFPB:

- "Consumer Watchdog Builds Up Its Ranks," (1/6/11)
- "Consumer Watchdog Strikes Deal to Police Lenders," (1/4/11)
- "Strong Enough for Tough Stains?" By GRETCHEN MORGENSON (7/26/10)
- "She's a Candidate for a Job She Devised," (7/22/10)

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http://dealbook.nytimes.com/2011/01/06/consumer-watchdog-builds-up-its-ranks/?scp=7&sq=%22dodd%20frank%22%20%22consumer%20financial%20protection%20bureau%22&st=cse

January 6, 2011, *4:02 pm* Legal/Regulatory

Consumer Watchdog Builds Up Its Ranks

By BEN PROTESS

5:41 p.m. | Updated

The new federal consumer watchdog has gone on a hiring binge recently — and it is not expected to end anytime soon.

Elizabeth Warren, the Harvard University law professor who is setting up the Consumer Financial Protection Bureau, announced her latest high-profile hire, Holly Petraeus, at a gathering in Washington on Thursday. Mrs. Petraeus is the wife of Gen. David H. Petraeus, the top American commander in Afghanistan.

She will direct the Office of Servicemember Affairs, a division in the bureau that will be responsible for protecting military families from financial scams. The Dodd-Frank financial overhaul law, which created the bureau, mandated that it open a military division.

"It's been my great privilege to be part of the military community my entire life," Mrs. Petraeus said in a statement. "I am honored to have the opportunity both to represent them and to support them as a part of this new consumer protection agency, and I pledge that I will do my utmost to see that their concerns are heard and addressed."

Mrs. Petraeus previously served as the director of the Better Business Bureau's Military Line, which trains troops to avoid scams. The announcement on Thursday has been a poorly kept secret in Washington since the Huffington Post reported plans for the appointment on Tuesday.

Although Republicans have vowed to scrutinize the bureau's every move, the appointment of Mrs. Petraeus elicited some rare bipartisan praise for the bureau. Senator Scott Brown, Republican of Massachusetts, said in a statement that he was "pleased" that Mrs. Petraeus had been chosen.

Mr. Brown and Senator Jack Reed, Democrat of Rhode Island, were co-authors of the measure to create the Office of Servicemember Affairs. "She's superbly qualified in every sense," Mr. Reed said in an interview. "I can't think of anyone more qualified."

Mrs. Petraeus is the latest in a series of crucial hires for the bureau, whose roster has more than tripled since Ms. Warren came on board in September. The bureau now has more than 100 employees, according to a spokesman.

Ms. Warren added five senior leaders to her team in one week last month, including Richard Cordray, the outgoing attorney general of Ohio, who will run the bureau's enforcement division. Mr. Cordray, a Democrat who narrowly lost his re-election bid in November, has become a top critic of Wall Street and has sued some prominent players in the financial crisis, including the credit rating agencies.

Also in December, Ms. Warren announced the hiring of Leonard Chanin, a senior Federal Reserve official, and David Silberman, a top lawyer at the A.F.L.-C.I.O. Mr. Silberman will lead the bureau's card-markets division and Mr. Chanin will oversee the writing of new rules for consumer products.

The bureau also hired two top officials to lead the bureau's technology team, including David Forrest, who was a manager at the Motley Fool, an investor education Web site.

In November, the bureau tapped Peggy Twohig, a Treasury Department official, to oversee mortgage brokers and other nonbank financial firms and Steven Antonakes, the Massachusetts bank commissioner, to lead the bureau's bank supervision unit.

The roster will continue to expand over the next few months as the bureau prepares to become an independent agency within the Federal Reserve in July. The bureau currently operates within the Treasury Department.

At the top of Ms. Warren's regulatory to-do list in the meantime: enhancing mortgage and credit card disclosures. As such, the bureau is giving priority to hiring for the mortgage and credit card divisions, a spokesman confirmed.

Aside from hiring, Ms. Warren has been meeting with bankers, lobbyists and consumer advocates, according to Treasury Department meeting disclosure records.

On Tuesday, Ms. Warren announced an agreement with state regulators to jointly oversee the lending industry, including payday lenders, student loan providers and mortgage companies.

http://dealbook.nytimes.com/2011/01/04/consumer-watchdog-strikes-deal-with-states-to-police-lenders/?scp=17&sq=%22dodd%20frank%22%20%22consumer%20financial%20protection%20bureau%22&st=cse

January 4, 2011, *4:12 pm* Legal/Regulatory

Consumer Watchdog Strikes Deal to Police Lenders

By BEN PROTESS

The new federal consumer watchdog, in a long awaited move, is teaming up with state regulators to oversee the lending industry, including payday lenders, student loan providers and mortgage companies.

Elizabeth Warren, the Harvard University law professor who is setting up the Consumer Financial Protection Bureau, announced an agreement on Tuesday to streamline supervision of these industries with the Conference of State Banking Supervisors.

"The new consumer financial agency and the state banking regulators are forging an alliance to protect American families," Ms. Warren said in a speech in Washington on Tuesday. "This agreement allows us to bring thousands of financial service providers out of the shadows and to begin the process of ensuring that all lenders comply with the same basic rules."

The announcement was well received by consumer advocates. However, some noted that the pact only applies to state banking regulators, and the bureau still has to arrange similar agreements with other state agencies.

Financial firms other than banks, for the most part, are virgin territory for the federal government. Until now, state authorities have licensed and supervised the tens of thousands of payday lenders, mortgage firms, car title lenders and money transmitters.

The Dodd-Frank financial overhaul law, signed by President Obama in July, created the consumer bureau and authorized it to write rules for this wide array of lenders. Mr. Obama appointed Ms. Warren in September to help start the bureau, known as the C.F.P.B.

Since then, she's been meeting with bankers, lobbyists and consumer advocates as she helps shape the bureau. The Huffington Post reported on Tuesday that Ms. Warren is expected to name Holly Petraeus — the wife of General David Petraeus, the top American general in Afghanistan — to a top post in the organization who will be "tasked with protecting military families from predatory lenders."

Under the plan announced Tuesday, the consumer protection agency and the state regulatory banking group agreed to share information about lenders. Regulators at the state and federal level will coordinate examinations and enforcement procedures, Ms. Warren said, to "minimize regulatory burden and to efficiently deploy regulatory resources."

The regulators can also refer possible compliance violations to one another.

"Today is an important day for financial supervision," said Thomas Gronstal, chairman of the state regulatory banking group, adding that the agreement "is a step toward a more cooperative system of supervision, which will benefit consumers and financial services providers alike."

Consumer advocates praised the agreement on Tuesday.

"It's important for state regulators to share their expertise with the C.F.P.B., so they don't have to reinvent the wheel," said Jean Ann Fox, director of financial services for the Consumer Federation of America.

But Ms. Fox noted that the agreement was "not comprehensive or universal."

"This is getting the machinery ready to run," she said.

Nor does the accord assure that every state banking regulator will cooperate with the federal government. In some states, including Texas and Iowa, payday lenders and other firms are not overseen by the local banking supervisor but separate regulators, which aren't covered under the cooperation deal, Ms. Fox said.

Even so, Ms. Warren called the agreement an "an important first step in establishing a foundation of state and federal cooperation."

The leading trade group for payday lenders welcomed Ms. Warren's announcement.

"We have a generally favorable reaction to it," said Steven Schlein, a spokesman for the group, the Community Financial Services Association. "It helps consumers, and that's good, and it doesn't change our business practices. We want bad actors to be cracked down on."

http://www.nytimes.com/2010/06/27/business/27gret.html?_r=1&scp=4&sq=%22dodd%20frank%22%20%22consumer%20financial%20protection%20bureau%22&st=cse

Strong Enough for Tough Stains?

By GRETCHEN MORGENSON

Published: June 26, 2010

OUR nation's Congressional machinery was humming last week as legislators reconciled the differences between the labyrinthine financial reforms proposed by the Senate and the House and emerged early Friday morning with a voluminous new law in hand. They christened it the Dodd-Frank bill, after the heads of the Senate Banking and House Financial Services Committees who drove the process toward the finish line.

The bill is awash in so much minutiae that by late Friday its ultimate impact on the financial services industry was still unclear. Certainly, the bill, which the full Congress has yet to approve, is the most comprehensive in decades, touching hedge funds, private equity firms, derivatives and credit cards. But is it the "strong Wall Street reform bill," that Christopher Dodd, the Connecticut Democrat, said it is?

For this law to be the groundbreaking remedy its architects claimed, it needed to do three things very well: protect consumers from abusive financial products, curb dangerous risk taking by institutions and cut big and interconnected financial entities down to size. So far, the report card is mixed.

On the final item, the bill fails completely. After President Obama signs it into law, the nation's financial industry will still be dominated by a handful of institutions that are too large, too interconnected and too politically powerful to be allowed to go bankrupt if they make unwise decisions or make huge wrong-way bets.

Speaking of large and politically connected entities, Dodd-Frank does nothing about Fannie Mae and Freddie Mac, the $6.5 trillion mortgage finance behemoths that have been wards of the state for almost two years. That was apparently a bridge too far — not surprising, given the support that Mr. Dodd and Mr. Frank lent to Fannie and Freddie back in the good old days when the companies were growing their balance sheets to the bursting point.

So what does the bill do about abusive financial products and curbing financial firms' appetites for excessive risk?

For consumers and individual investors, Dodd-Frank promises greater scrutiny on financial "innovations," the products that line bankers' pockets but can harm users. The creation of a Consumer Financial Protection Bureau within the Federal Reserve Board is intended to bring a much-needed consumer focus to a regulatory regime that was nowhere to be seen during the last 20 years.

It is good that the bill grants this bureau autonomy by assigning it separate financing and an independent director. But the structure of the bureau could have been stronger.

For example, the bill still lets the Office of the Comptroller of the Currency bar state consumer protections where no federal safeguards exist. This is a problem that was well known during the mortgage mania when the comptroller's office beat back efforts by state authorities to curtail predatory lending.

And Dodd-Frank inexplicably exempts loans provided by auto dealers from the bureau's oversight. This is as benighted as exempting loans underwritten by mortgage brokers.

Finally, the Financial Stability Oversight Council, the überregulator to be led by the Treasury secretary and made up of top financial regulators, can override the consumer protection bureau's rules. If the council says a rule threatens the soundness or stability of the financial system, it can be revoked.

Given that financial regulators — and the comptroller's office is not alone in this — often seem to think that threats to bank profitability can destabilize the financial system, the consumer protection bureau may have a tougher time doing its job than many suppose.

ONE part of the bill that will help consumers and investors is the section exempting high-quality mortgage loans from so-called risk retention requirements. These rules, intended to make mortgage originators more prudent in lending, force them to hold on to 5 percent of a mortgage security that they intend to sell to investors.

But Dodd-Frank sensibly removes high-quality mortgages — those made to creditworthy borrowers with low loan-to-value ratios — from the risk retention rule. Requiring that lenders keep a portion of these loans on their books would make loans more expensive for prudent borrowers; it would likely drive smaller lenders out of the business as well, causing further consolidation in an industry that is already dominated by a few powerful players.

"This goes a long way toward realigning incentives for good underwriting and risk retention where it needs to be retained," said Jay Diamond, managing director at Annaly Capital Management. "With qualified mortgages, the risk retention is with the borrower who has skin in the game. It's in the riskier mortgages, where the borrower doesn't have as much at stake, that the originator should be keeping the risk."

In the interests of curbing institutional risk-taking, Dodd-Frank rightly takes aim at derivatives and proprietary trading, in which banks make bets using their own money. On derivatives, the bill lets banks conduct trades for customers in interest rate swaps, foreign currency swaps, derivatives referencing gold and silver, and high-grade credit-default swaps. Banks will also be allowed to trade derivatives for themselves if hedging existing positions.

But trading in credit-default swaps referencing lower-grade securities, like subprime mortgages, will have to be run out of bank subsidiaries that are separately capitalized. These subsidiaries may have to raise capital from the parent company, diluting the bank's existing shareholders.

Banks did win on the section of the bill restricting their investments in private equity firms and hedge funds to 3 percent of bank capital. That number is large enough so as not to be restrictive, and the bill lets banks continue to sponsor and organize such funds.

On proprietary trading, however, the bill gets tough on banks, said Ernest T. Patrikis, a partner at White & Case, by limiting their bets to United States Treasuries, government agency obligations and municipal issues. "Foreign exchange and gold and silver are out," he said. "This is good for foreign banks if it applies to U.S. banks globally."

That's a big if. Even the Glass-Steagall legislation applied only domestically, he noted. Nevertheless, Mr. Patrikis concluded: "The bill is a win for consumers and bad for banks."

Even so, last Friday, investors seemed to view the bill as positive for banks; an index of their stocks rose 2.7 percent on the day. That reaction is a bit of a mystery, given that higher costs, lower returns and capital raises lie ahead for financial institutions under Dodd-Frank.

Then again, maybe investors are already counting on the banks doing what they do best: figuring out ways around the new rules and restrictions.

http://www.nytimes.com/2010/07/23/business/economy/23norris.html?scp=16&sq=%22dodd%20frank%22%20%22consumer%20financial%20protection%20bureau%22&st=cse

She's a Candidate for a Job She Devised

By FLOYD NORRIS

Published: July 22, 2010

Can Mary and Elizabeth remake the financial world for consumers?

They just might, if Elizabeth can get the job.

The women referred to are not the queens who, you may recall, did not get along too well. Their dispute ended badly for Mary.

Mary is Mary Schapiro, the chairwoman of the Securities and Exchange Commission, which this week moved to open up more price competition in the selling of mutual funds, and soon will deal with the issue of just how much responsibility a stock broker has to act in a client's best interests.

Elizabeth is Elizabeth Warren, the Harvard law professor who dreamed up the idea for the Bureau of Consumer Financial Protection, which became law when President Obama signed the Dodd-Frank law this week.

Whether or not she is named to run the bureau may depend on how willing the president is to anger the banks yet again, and whether he is willing to risk a big confirmation battle in the Senate. There may be people less popular in bank boardrooms than Ms. Warren, but none come immediately to mind.

In making the decision, the president may want to keep in mind that those two organizations, the S.E.C. and the new bureau, will be largely responsible for the actions that will make the Dodd-Frank law visible to most Americans by the 2012 election.

Other provisions of the law — creation of a financial stability panel, a more transparent derivatives market, limits on bank risk-taking through proprietary trading, a new way to liquidate big banks — will be really noticed only if they fail and we get a new financial crisis. But the bureau and the commission could change the way financial products are sold and make it easier for those who are cheated to get compensation.

The bureau, more than most new agencies, is likely to be molded by its first boss.

While the average new agency is created by a law that gives it a bunch of duties no one had before, this agency is supposed to enforce laws long on the books that were enforced poorly, if at all, by the bank regulatory agencies. It will also establish new rules.

Never has the Biblical adage of "No man can serve two masters" been better proved than in bank regulation. The first duty of bank regulators is to protect the safety and soundness of banks, and it is easy to see why protecting consumers from hidden fees and unfair practices might seem to threaten bank profits and be contrary to the goal of healthy banks. To say the bank regulators neglected consumer protection is to be kind.

Logically, the belated discovery that financial consumer protection needs to be increased might have led to increased powers for the S.E.C., which was created to protect investors. But it stumbled badly in recent years, and that idea does not seem to have occurred to anyone.

Ms. Shapiro's move this week was to do something that sounds just like what Ms. Warren would propose for banks: bring fees out into the open, so everyone can see them.

The S.E.C. proposed rules to change the cozy system that lets "no load" mutual funds charge sales fees, known in the business as 12b-1 fees, that are taken from an investor's profits year after year. Under the proposal, the fees would be above board, and differing brokers selling funds could discount them if they chose to compete that way.

The commission will soon move to consider the issue of whether to require brokers to have a "fiduciary duty" to investors, meaning they would have to offer advice they believed to be in the customer's best interest. Such consideration is required by the new law, and how far the commission goes could help to determine just how consumer-oriented it is.

The most notable enforcement case of Ms. Shapiro's tenure can be read as an indication that she cares deeply about such issues.

Under current law, brokers serving retail investors are held to a limited standard requiring that investments be "suitable" to the buyer. But brokers for institutional investors have not faced even that minimal rule. That freed brokers to let clients view them as trusted advisers when pitching an investment. If and when the product blows up, the broker disclaims any responsibility for the bad investment decision made by the customer. The broker was simply a "counterparty" who took the other side of a trade that the customer wanted to do.

That essentially was Goldman Sachs's defense when the commission filed suit against it over a disastrous mortgage-backed securities deal that Goldman sold without telling customers that it had been partly created by the firm that wanted to bet it would fail. Goldman's settlement helps to establish a precedent that such sophistry must end.

The history between the banks and Ms. Warren goes back for many years. In their first epic battle, which lasted for nearly a decade, the banks scored a decisive victory. Their win, alas, was a pyrrhic one that led to hubris, bad lending practices and big losses.

In 1994, the Congress established the National Bankruptcy Review Commission, which was to suggest changes in the law. Ms. Warren, whose detailed research into why people file for bankruptcy is respected even among some of her critics, became the principal staff member for the commission, and soon ran afoul of the banks.

The banks wanted legal changes to make it harder for bankrupt people to escape credit card debt. The commission decided not to back most of what the banks wanted and to suggest a few things the banks hated.

The commission suggested weaker protection for mortgage lenders who lent out more than a home was worth. To combat what it saw as abuses by both debtors and creditors, the commission proposed changes like requiring audits of some claims by lenders and limiting the ability of banks to get borrowers to voluntarily reaffirm debts.

Even before the report came out in 1997, the banks had called on Congress to ignore the commission and pass a bill to crack down on consumer abuse of lenders. It took years, but in 2005, Congress passed and President George W. Bush signed the new law, called the Bankruptcy Abuse Prevention and Consumer Protection Act. The banks got pretty much what they wanted.

That act in fact did anything but protect consumers. Credit card lending had grown rapidly before it was passed, but it accelerated afterward. Banks thought there was new safety in lending to dubious credit risks because those borrowers could not use the bankruptcy laws to renege if they went broke.

That orgy of lending ended with the financial crisis. It is possible, even likely, that if the bankruptcy law passed in 2005 had been less friendly to the banks, they would have been less careless in their lending and lost less in the end.

Ms. Warren is one of the more intelligent people I know. She is not among the more diplomatic, which is a major reason she may not get the job. As chairwoman of the Congressional oversight panel on the bank bailouts, she has sometimes angered Treasury officials.

In a law review article calling for a financial consumer protection agency, she and a colleague explained the need as follows: "Thanks to effective regulation, innovation in the market for physical products has led to greater safety and more consumer-friendly features. By comparison, innovation in financial products has produced incomprehensible terms and sharp practices that hurt consumers and reduce social welfare."

There are more polite terms than "sharp practices" that she and her co-author could have used.

With the new law now enacted, liberal and labor groups are publicly demanding that Ms. Warren be appointed. Financial companies are doing their best to persuade the administration that she could not be confirmed.

The quandary faced by President Obama is reminiscent of one that confronted President Franklin Roosevelt after Congress created the S.E.C. in 1934. Then the president turned aside pleas from those who had pushed for reform and named Joseph P. Kennedy, a man who knew about financial industry abuses because he had taken part in them, as the commission's first chairman. Ferdinand Pecora, whose investigations had created the clamor for reform, was made a member, not the chairman, and he soon left the commission.

President Obama has no such ready compromise. The new office has a director, not a board, and it is hard to imagine what runner-up position could be offered to Ms. Warren.

The president could choose someone who will not ruffle too many feathers, and in the process avoid yet another Senate floor fight.

But if he names Ms. Warren, and she wins confirmation, she and Ms. Schapiro could become a dynamic duo in reforming Wall Street.

WALL STREET JOURNAL ARTICLES REGARDING CFPB:

- "Warning Shot on Financial Protection," 2/9/11
- "Republicans Unhappy With Watchdogs' Assessment of Consumer Bureau Powers," (1/19/11)
- "Lawmaker Raises Concerns About Consumer Agency," (1/18/11)
- "With New Power, GOP Takes On Consumer Agency," (11/23/10)
- "Elizabeth Warren: Plenty of Power," (11/18/10)

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http://online.wsj.com/article/SB10001424052748703507804576130370862263258.html?KEYWORDS=%22consumer+financial+protection+bureau%22

FEBRUARY 9, 2011

Warning Shot On Financial Protection

By JEAN EAGLESHAM

The enforcement chief of the new U.S. Consumer Financial Protection Bureau said the agency plans to "immediately" use its powers to take on any misbehavior by Wall Street firms and other financial institutions once the agency officially opens in July.

In his first interview since arriving at the agency last month to set up its enforcement operations, Richard Cordray suggested he will use the same aggressive approach that he was known for in his previous job as Ohio's attorney general. Last year, the 51-year-old Mr. Cordray described the foreclosure practices used by companies now under a nationwide investigation, including Wells Fargo & Co and the GMAC Mortgage unit of Ally Financial Inc., as "a business model built on fraud."

He said his new responsibilities are "in many ways doing on a 50-state basis the things I cared most about as a state attorney general, with a more robust and a more comprehensive authority."

The Consumer Financial Protection Bureau is a centerpiece of the Dodd-Frank financial-overhaul bill that passed last summer. Several federal regulators are slated to transfer some of their powers to the new agency on July 21.

Many financial firms opposed the establishment of the agency and are worried about a potential onslaught of sanctions ranging from reprimands to cease-and-desist orders to fines to bans on certain business practices. Republican lawmakers are trying to blunt the Consumer Financial Protection Bureau's powers and crimp its budget.

The launch of some of the agency's enforcement powers could be delayed if the new agency doesn't have a permanent director by July, as required by the Dodd-Frank law. Some Republicans still are angry that President Barack Obama appointed White House adviser Elizabeth Warren as a special adviser to get the agency off the ground, bypassing the Senate approval needed to name a permanent director.

Asked in the interview how soon the Consumer Financial Protection Bureau would start bringing enforcement actions, Mr. Cordray said: "I will be seeing to it that we will be ready with some of our priorities immediately."

Mr. Cordray said mortgages, credit cards and student loans are high on his enforcement agenda. No decisions will be made until the agency digs into problem areas and sets its "priorities accordingly," he said. "I don't prejudge what we're going to find."

In addition to banks, credit unions and securities firms, the new agency has oversight powers for thousands of payday lenders, mortgage-servicing operations, debt collectors and other financial companies.

Firms operating on "much more of a wild and woolly basis" than big banks are the most likely source of "aberrant and abusive practices," he said. "Consumer protection in the financial area has … taken a second place in most of the regulatory bodies, but we're going to have a different focus."

Consumer groups are pushing Mr. Cordray to wield his powers against traditional banks, citing the subprime-mortgage crisis as a failure by regulators. He said companies that opposed setting up the new agency should want even-handed regulation that "weeds out the bad actors" that compete unfairly against other firms.

"Good, solid financial businesses have nothing to fear and maybe much to gain," he said. The agency also wants to forge a "strong, cooperative relationship" with state attorneys general, and the Dodd-Frank law should make it easier for various state and U.S. agencies to combine forces, Mr. Cordray added.

The size of the Consumer Financial Protection Bureau's enforcement staff hasn't been decided yet. Mr. Cordray said discussions about dividing the agency's budget of about $400 million a year are "ongoing."

http://blogs.wsj.com/washwire/2011/01/19/republicans-unhappy-with-watchdogs-assessment-of-consumer-bureau-powers/?KEYWORDS=%22consumer+financial+protection+bureau%22

- January 19, 2011, 6:55 PM ET

Republicans Unhappy With Watchdogs' Assessment of Consumer Bureau Powers

By Victoria McGrane

House Republicans weren't happy with some of the answers they got from the inspectors general of Treasury and the Federal Reserve to a series of questions about the Consumer Financial Protection Bureau.

One example: Republican Reps. **Spencer Bachus**, chairman of the House Financial Services Committee, and **Judy Biggert**, a committee member, wanted to know if the IGs agreed with them that Treasury's authority to run the new consumer bureau expires on July 21, 2011, and afterwards the bureau "can function only if a director has been confirmed."

Nope, the watchdogs replied.

In fact, the Treasury secretary can continue to oversee the CFPB even after the so-called transfer date if a permanent director has not been named, according to the Jan. 10 reply. And even with Treasury still running the show, the new agency can exercise some – but not all – of the powers it is slated to get on July 21. These include writing certain rules and examining banks and credit unions that have more than $10 billion in assets – actions the bureau cannot do before July 21, with or without a director.

"Congress does not view 'informal' or 'interim' leadership as a substitute for Senate confirmation, and the longer such authority is exercised without the constitutionally recognized advice and consent of the Senate, the less legitimate that authority becomes," Rep. Biggert warned in a statement. She added that she didn't think the limits to Treasury's power are sufficiently clear.

Without a confirmed director, the bureau's powers are limited. Specifically, it couldn't ban "unfair, deceptive or abusive" consumer lending practices and would lack the authority to police certain nonbank financial firms such as payday lenders and check cashers.

The bureau's ability to crack down on the largely unregulated nonbank lenders was one of the few things politically influential community bankers liked about the new consumer agency. Community bankers, who compete in some areas with nonbank financial firms, feel they're at a disadvantage since the nonbanks are lightly regulated.

By highlighting this wrinkle, the IGs could increase pressure on the White House to nominate a director for the new agency soon. The confirmation process is expected to take months.

The report generally highlights the need for the White House to nominate a director so that "when the agency formally opens its doors it will be able to use all the consumer protection tools in its tool box," said Travis Plunkett, legislative director for the Consumer Federation of America.

President Barack Obama in September named Harvard Law professor Elizabeth Warren as the temporary leader for the new bureau, but there's been hardly a peep from the administration on when they plan to nominate a permanent director, not to mention who it might be.

In a Jan. 18 letter, Republican Rep. Randy Neugebauer, who leads the House subcommittee charged with overseeing the new agency, asked Ms. Warren to provide him with a timetable for naming a director, complaining that lawmakers have not been updated since September when Treasury Secretary Tim Geithner assured them he agreed it best to have a director in place "as soon as we can."

http://online.wsj.com/article/SB10001424052748703954004576089752769907460.html?KEYWORDS=%22consumer+financial+protection+bureau%22

- JANUARY 18, 2011, 10:00 A.M. ET

Lawmaker Raises Concerns About Consumer Agency

By MAYA JACKSON RANDALL

WASHINGTON—As House Republicans prepare for oversight hearings on the Consumer Financial Protection Bureau, a lawmaker is urging White House adviser Elizabeth Warren to shed more light on the agency's budget projections, rule-making plans and staffing decisions.

Rep. Randy Neugebauer (R., Texas) sent questions to Ms. Warren Tuesday in a four-page letter that provides further insight into GOP concerns. The letter comes as new House Republican leaders are considering when to hold their first hearings on the bureau and the Dodd-Frank regulatory overhaul that created it.

Mr. Neugebauer, who met with Ms. Warren on Jan. 4., said he is "quite pleased" with her professionalism and enthusiasm. However, he remains critical of the Consumer Financial Protection Bureau, or CFPB.

"I ... firmly believe that you are tasked with executing a fatally flawed plan, and I have many questions about the operations of the CFPB," wrote Mr. Neugebauer, who leads the House Financial Services Committee's oversight and investigations subpanel.

Conservative Republicans have argued that the Dodd-Frank Act was a broad overreach that could stifle financial markets, and they have described the consumer bureau—a centerpiece of the new law—as a regulatory agency with excessive power. Republicans, who took control of the House this month, have pledged to keep heat on the agency through vigorous oversight and new financial rules.

Meanwhile, Ms. Warren, whom President Barack Obama tapped to ready the bureau for its July launch, is working to ease concerns about the agency. She has been talking to bankers around the country and meeting with lawmakers, touting the agency as one that will help middle-class families avoid tricks and traps in financial markets.

Mr. Neugebauer raises questions about transparency and accountability at the bureau as well as worries about Ms. Warren's authority.

It is "unclear as to what specific responsibilities and supervisory authority" Ms. Warren has as she works to shape the consumer-watchdog agency, he wrote.

Also, Mr. Neugebauer wants to know how the bureau plans to ensure that its rules will not harm banks and consumers. Additionally, he asks about the White House's timetable for naming a permanent bureau director. He also said the Obama administration never answered questions about whether Ms. Warren is willing to testify on Capitol Hill.

Ms. Warren has said she isn't afraid to face congressional scrutiny and that a key goal for the bureau is to make credit markets more transparent for consumers.

"We don't have anything to hide. We're trying to build an agency here, and we're trying to do it on behalf of the American people," she said in a recent television interview.

Mr. Neugebauer asks for Warren's budget projections, noting that the financial overhaul authorizes the bureau to receive as much as $200 million a year for fiscal years 2010-2014, in addition to the roughly $400 million in funding it will receive from the Federal Reserve.

"Do you anticipate the bureau submitting a request to use this optional authority in FY 2011 or FY 2012?," he asks.

While Dodd-Frank Act structured the agency's funding in a way that would help protect the CFPB, Mr. Neugebauer and other critics have taken aim at the funding mechanism. The money comes from the Fed, which means it isn't subject to the congressional appropriations process.

"I strongly believe that this arrangement, at a minimum, diminishes the likelihood of effective congressional oversight," he said.

Write to Maya Jackson Randall at Maya.Jackson-Randall@dowjones.com

http://online.wsj.com/article/SB10001424052748703559504575631082414598868.html?KEYWORDS=%22consumer+financial+protection+bureau%22

NOVEMBER 23, 2010

With New Power, GOP Takes On Consumer Agency

By VICTORIA MCGRANE And DEBORAH SOLOMON

House Republican lawmakers fired the opening salvo Monday in a war they plan against the Consumer Financial Protection Bureau created by this year's overhaul of financial regulations.

Republican Reps. Spencer Bachus of Alabama, the leading contender to take the reins of the House Financial Services Committee, and Illinois Rep. Judy Biggert, the top Republican on the panel's oversight and investigations subcommittee, sent letters to the inspectors general of both the Treasury Department and the Federal Reserve, directing them to conduct an investigation into the work being done to establish the new bureau.

The lawmakers wrote that the agency warrants "rigorous" oversight by the inspectors general because it will play a significant role in credit availability for consumers and small businesses. GOP lawmakers have also sent letters to regulators on the legal bills incurred by former executives of government-controlled mortgage finance giants Fannie Mae and Freddie Mac and the economic impact of the financial-overhaul rules being written by the Securities and Exchange Commission.

The letters are the strongest signals yet of how the new House Republican majority plans to use its oversight powers to hobble elements of the Obama agenda.

While they have little hope of repealing the new consumer agency—which has broad powers to write rules for mortgages, credit cards and other financial products—Republicans can work to influence regulators to blunt the agency's power.

Sending critical letters and ordering up investigations are two time-honored ways lawmakers exert influence. In this case, Republicans have two main targets: the Treasury Department, which is running the new agency until it assumes its full powers on July 21, and Elizabeth Warren, who was tapped as a special adviser by President Barack Obama to lead the setup of the bureau.

The reports requested by the lawmakers will likely lead to hearings, another tool in the lawmakers' arsenal. Reps. Bachus and Biggert asked for the reports by Jan. 10.

In the letters, the lawmakers criticized the Treasury and Ms. Warren for not making public information about the meetings with lobbyists, financial-industry officials and others as they set up the bureau. As noted by Mr. Bachus and Ms. Biggert, other key financial regulators post details online of their meetings with outsiders as a result of the financial overhaul.

"There is a clear absence of accountability and transparency" about the activities Treasury is undertaking to establish the consumer bureau, the letters said.

Earlier this month, the Treasury Department adopted a "transparency policy," saying it would begin posting details of in-person meetings between private-sector individuals and high-level Treasury staff, including Secretary Timothy Geithner. The disclosures lag behind meetings by a month. The first posting is not expected until Dec. 31.

Ms. Warren's contacts with industry participants will be covered by the Treasury's disclosure policy because she is a special adviser to Mr. Geithner. However, a Treasury official said Ms. Warren's schedule will be more regularly on the consumer agency's website once one is established. A treasury spokesman added that Ms. Warren is also willing to testify before Congress. Treasury also has said anyone who wants earlier access to the meeting logs should file a Freedom of Information Act request.

Ms. Warren has made no secret of her contact with industry participants, saying the input of banks, consumer advocates and others is crucial to making the agency's work a success. Among those she has met with are J.P. Morgan Chase & Co. CEO James Dimon, as well as the heads of dozens of other Wall Street firms, according to people familiar with the meetings.

The lawmakers signaled they planned to scrutinize Ms. Warren's every move, writing that they "are concerned that Professor Warren will be approaching this task without any experience managing—or creating—an organization of this scale and importance."

Ms. Warren's supporters, including many congressional Democrats, argue that she is the best suited to establish the agency since it was her idea, which she first floated in 2006, including to then-Sen. Obama.

Among the issues the inspectors general have been asked to investigate is the power Ms. Warren enjoys in her temporary post, as well as how much authority the bureau has to write rules before it has a full-time director.

Write to Deborah Solomon at deborah.solomon@wsj.com http://blogs.wsj.com/washwire/2010/11/18/elizabeth-warren-plenty-of-power/?KEYWORDS=%22consumer+financial+protection+bureau%22

- November 18, 2010, 3:53 PM ET

Elizabeth Warren: Plenty of Power

By Victoria McGrane and Maya Jackson Randall

Just how much muscle the new Consumer Financial Protection bureau and its temporary leader, **Elizabeth Warren**, have before it gets its full powers and a permanent director next year is a matter of some angst in Washington and on Wall Street.

On Thursday, a key Treasury official said that Ms. Warren and her fledgling bureau have quite a bit of authority – including the ability to start the rule-writing process. The bureau can engage undertake studies, solicit feedback from the public "and I think even putting out proposals," Treasury's General Counsel **George Madison** said at a luncheon.

The bureau's current power does not, however, extend to issuing final rules, he said. Treasury Secretary **Timothy Geithner** has set July 21, 2011, as the date the consumer agency will receive all of the consumer protection authority from existing federal regulators, making that the target for having the bureau up and running at full speed.

Mr. Madison said he expects a permanent director to be named by then. President **Barack Obama** tapped Ms. Warren, a Harvard law professor who has been urging such an agency for years, to launch the bureau, but it remains unclear who he will nominate as its first official director.

But Mr. Madison's comments to the Women in Housing and Finance suggest that the bureau — which has broad new powers to write rules for mortgages, credit cards and other financial products — can do most of the heavy lifting before the so-called transfer date, a prospect that's likely to make many in the financial industry nervous.

NEW YORK TIMES ARTICLES REGARDING THE CFPB:

- "Consumer Watchdog Builds Up Its Ranks," (1/6/11)
- "Consumer Watchdog Strikes Deal to Police Lenders," (1/4/11)
- "Strong Enough for Tough Stains?" By GRETCHEN MORGENSON (7/26/10)
- "She's a Candidate for a Job She Devised," (7/22/10)

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http://dealbook.nytimes.com/2011/01/06/consumer-watchdog-builds-up-its-ranks/?scp=7&sq=%22dodd%20frank%22%20%22consumer%20financial%20protection%20bureau%22&st=cse

January 6, 2011, *4:02 pm* Legal/Regulatory

Consumer Watchdog Builds Up Its Ranks

By BEN PROTESS

5:41 p.m. | Updated

The new federal consumer watchdog has gone on a hiring binge recently — and it is not expected to end anytime soon.

Elizabeth Warren, the Harvard University law professor who is setting up the Consumer Financial Protection Bureau, announced her latest high-profile hire, Holly Petraeus, at a gathering in Washington on Thursday. Mrs. Petraeus is the wife of Gen. David H. Petraeus, the top American commander in Afghanistan.

She will direct the Office of Servicemember Affairs, a division in the bureau that will be responsible for protecting military families from financial scams. The Dodd-Frank financial overhaul law, which created the bureau, mandated that it open a military division.

"It's been my great privilege to be part of the military community my entire life," Mrs. Petraeus said in a statement. "I am honored to have the opportunity both to represent them and to support them as a part of this new consumer protection agency, and I pledge that I will do my utmost to see that their concerns are heard and addressed."

Mrs. Petraeus previously served as the director of the Better Business Bureau's Military Line, which trains troops to avoid scams. The announcement on Thursday has been a poorly kept secret in Washington since the Huffington Post reported plans for the appointment on Tuesday.

Although Republicans have vowed to scrutinize the bureau's every move, the appointment of Mrs. Petraeus elicited some rare bipartisan praise for the bureau. Senator Scott Brown, Republican of Massachusetts, said in a statement that he was "pleased" that Mrs. Petraeus had been chosen.

Mr. Brown and Senator Jack Reed, Democrat of Rhode Island, were co-authors of the measure to create the Office of Servicemember Affairs. "She's superbly qualified in every sense," Mr. Reed said in an interview. "I can't think of anyone more qualified."

Mrs. Petraeus is the latest in a series of crucial hires for the bureau, whose roster has more than tripled since Ms. Warren came on board in September. The bureau now has more than 100 employees, according to a spokesman.

Ms. Warren added five senior leaders to her team in one week last month, including Richard Cordray, the outgoing attorney general of Ohio, who will run the bureau's enforcement division. Mr. Cordray, a Democrat who narrowly lost his re-election bid in November, has become a top critic of Wall Street and has sued some prominent players in the financial crisis, including the credit rating agencies.

Also in December, Ms. Warren announced the hiring of Leonard Chanin, a senior Federal Reserve official, and David Silberman, a top lawyer at the A.F.L.-C.I.O. Mr. Silberman will lead the bureau's card-markets division and Mr. Chanin will oversee the writing of new rules for consumer products.

The bureau also hired two top officials to lead the bureau's technology team, including David Forrest, who was a manager at the Motley Fool, an investor education Web site.

In November, the bureau tapped Peggy Twohig, a Treasury Department official, to oversee mortgage brokers and other nonbank financial firms and Steven Antonakes, the Massachusetts bank commissioner, to lead the bureau's bank supervision unit.

The roster will continue to expand over the next few months as the bureau prepares to become an independent agency within the Federal Reserve in July. The bureau currently operates within the Treasury Department.

At the top of Ms. Warren's regulatory to-do list in the meantime: enhancing mortgage and credit card disclosures. As such, the bureau is giving priority to hiring for the mortgage and credit card divisions, a spokesman confirmed.

Aside from hiring, Ms. Warren has been meeting with bankers, lobbyists and consumer advocates, according to Treasury Department meeting disclosure records.

On Tuesday, Ms. Warren announced an agreement with state regulators to jointly oversee the lending industry, including payday lenders, student loan providers and mortgage companies.

http://dealbook.nytimes.com/2011/01/04/consumer-watchdog-strikes-deal-with-states-to-police-lenders/?scp=17&sq=%22dodd%20frank%22%20%22consumer%20financial%20protection%20bureau%22&st=cse

January 4, 2011, *4:12 pm* Legal/Regulatory

Consumer Watchdog Strikes Deal to Police Lenders

By BEN PROTESS

The new federal consumer watchdog, in a long awaited move, is teaming up with state regulators to oversee the lending industry, including payday lenders, student loan providers and mortgage companies.

Elizabeth Warren, the Harvard University law professor who is setting up the Consumer Financial Protection Bureau, announced an agreement on Tuesday to streamline supervision of these industries with the Conference of State Banking Supervisors.

"The new consumer financial agency and the state banking regulators are forging an alliance to protect American families," Ms. Warren said in a speech in Washington on Tuesday. "This agreement allows us to bring thousands of financial service providers out of the shadows and to begin the process of ensuring that all lenders comply with the same basic rules."

The announcement was well received by consumer advocates. However, some noted that the pact only applies to state banking regulators, and the bureau still has to arrange similar agreements with other state agencies.

Financial firms other than banks, for the most part, are virgin territory for the federal government. Until now, state authorities have licensed and supervised the tens of thousands of payday lenders, mortgage firms, car title lenders and money transmitters.

The Dodd-Frank financial overhaul law, signed by President Obama in July, created the consumer bureau and authorized it to write rules for this wide array of lenders. Mr. Obama appointed Ms. Warren in September to help start the bureau, known as the C.F.P.B.

Since then, she's been meeting with bankers, lobbyists and consumer advocates as she helps shape the bureau. The Huffington Post reported on Tuesday that Ms. Warren is expected to name Holly Petraeus — the wife of General David Petraeus, the top American general in Afghanistan — to a top post in the organization who will be "tasked with protecting military families from predatory lenders."

Under the plan announced Tuesday, the consumer protection agency and the state regulatory banking group agreed to share information about lenders. Regulators at the state and federal level will coordinate examinations and enforcement procedures, Ms. Warren said, to "minimize regulatory burden and to efficiently deploy regulatory resources."

The regulators can also refer possible compliance violations to one another.

"Today is an important day for financial supervision," said Thomas Gronstal, chairman of the state regulatory banking group, adding that the agreement "is a step toward a more cooperative system of supervision, which will benefit consumers and financial services providers alike."

Consumer advocates praised the agreement on Tuesday.

"It's important for state regulators to share their expertise with the C.F.P.B., so they don't have to reinvent the wheel," said Jean Ann Fox, director of financial services for the Consumer Federation of America.

But Ms. Fox noted that the agreement was "not comprehensive or universal."

"This is getting the machinery ready to run," she said.

Nor does the accord assure that every state banking regulator will cooperate with the federal government. In some states, including Texas and Iowa, payday lenders and other firms are not overseen by the local banking supervisor but separate regulators, which aren't covered under the cooperation deal, Ms. Fox said.

Even so, Ms. Warren called the agreement an "an important first step in establishing a foundation of state and federal cooperation."

The leading trade group for payday lenders welcomed Ms. Warren's announcement.

"We have a generally favorable reaction to it," said Steven Schlein, a spokesman for the group, the Community Financial Services Association. "It helps consumers, and that's good, and it doesn't change our business practices. We want bad actors to be cracked down on."

http://www.nytimes.com/2010/06/27/business/27gret.html?_r=1&scp=4&sq=%22dodd%20frank%22%20%22consumer%20financial%20protection%20bureau%22&st=cse

Strong Enough for Tough Stains?

By GRETCHEN MORGENSON

Published: June 26, 2010

OUR nation's Congressional machinery was humming last week as legislators reconciled the differences between the labyrinthine financial reforms proposed by the Senate and the House and emerged early Friday morning with a voluminous new law in hand. They christened it the Dodd-Frank bill, after the heads of the Senate Banking and House Financial Services Committees who drove the process toward the finish line.

The bill is awash in so much minutiae that by late Friday its ultimate impact on the financial services industry was still unclear. Certainly, the bill, which the full Congress has yet to approve, is the most comprehensive in decades, touching hedge funds, private equity firms, derivatives and credit cards. But is it the "strong Wall Street reform bill," that Christopher Dodd, the Connecticut Democrat, said it is?

For this law to be the groundbreaking remedy its architects claimed, it needed to do three things very well: protect consumers from abusive financial products, curb dangerous risk taking by institutions and cut big and interconnected financial entities down to size. So far, the report card is mixed.

On the final item, the bill fails completely. After President Obama signs it into law, the nation's financial industry will still be dominated by a handful of institutions that are too large, too interconnected and too politically powerful to be allowed to go bankrupt if they make unwise decisions or make huge wrong-way bets.

Speaking of large and politically connected entities, Dodd-Frank does nothing about Fannie Mae and Freddie Mac, the $6.5 trillion mortgage finance behemoths that have been wards of the state for almost two years. That was apparently a bridge too far — not surprising, given the support that Mr. Dodd and Mr. Frank lent to Fannie and Freddie back in the good old days when the companies were growing their balance sheets to the bursting point.

So what does the bill do about abusive financial products and curbing financial firms' appetites for excessive risk?

For consumers and individual investors, Dodd-Frank promises greater scrutiny on financial "innovations," the products that line bankers' pockets but can harm users. The creation of a Consumer Financial Protection Bureau within the Federal Reserve Board is intended to bring a much-needed consumer focus to a regulatory regime that was nowhere to be seen during the last 20 years.

It is good that the bill grants this bureau autonomy by assigning it separate financing and an independent director. But the structure of the bureau could have been stronger.

For example, the bill still lets the Office of the Comptroller of the Currency bar state consumer protections where no federal safeguards exist. This is a problem that was well known during the mortgage mania when the comptroller's office beat back efforts by state authorities to curtail predatory lending.

And Dodd-Frank inexplicably exempts loans provided by auto dealers from the bureau's oversight. This is as benighted as exempting loans underwritten by mortgage brokers.

Finally, the Financial Stability Oversight Council, the überregulator to be led by the Treasury secretary and made up of top financial regulators, can override the consumer protection bureau's rules. If the council says a rule threatens the soundness or stability of the financial system, it can be revoked.

Given that financial regulators — and the comptroller's office is not alone in this — often seem to think that threats to bank profitability can destabilize the financial system, the consumer protection bureau may have a tougher time doing its job than many suppose.

ONE part of the bill that will help consumers and investors is the section exempting high-quality mortgage loans from so-called risk retention requirements. These rules, intended to make mortgage originators more prudent in lending, force them to hold on to 5 percent of a mortgage security that they intend to sell to investors.

But Dodd-Frank sensibly removes high-quality mortgages — those made to creditworthy borrowers with low loan-to-value ratios — from the risk retention rule. Requiring that lenders keep a portion of these loans on their books would make loans more expensive for prudent borrowers; it would likely drive smaller lenders out of the business as well, causing further consolidation in an industry that is already dominated by a few powerful players.

"This goes a long way toward realigning incentives for good underwriting and risk retention where it needs to be retained," said Jay Diamond, managing director at Annaly Capital Management. "With qualified mortgages, the risk retention is with the borrower who has skin in the game. It's in the riskier mortgages, where the borrower doesn't have as much at stake, that the originator should be keeping the risk."

In the interests of curbing institutional risk-taking, Dodd-Frank rightly takes aim at derivatives and proprietary trading, in which banks make bets using their own money. On derivatives, the bill lets banks conduct trades for customers in interest rate swaps, foreign currency swaps, derivatives referencing gold and silver, and high-grade credit-default swaps. Banks will also be allowed to trade derivatives for themselves if hedging existing positions.

But trading in credit-default swaps referencing lower-grade securities, like subprime mortgages, will have to be run out of bank subsidiaries that are separately capitalized. These subsidiaries may have to raise capital from the parent company, diluting the bank's existing shareholders.

Banks did win on the section of the bill restricting their investments in private equity firms and hedge funds to 3 percent of bank capital. That number is large enough so as not to be restrictive, and the bill lets banks continue to sponsor and organize such funds.

On proprietary trading, however, the bill gets tough on banks, said Ernest T. Patrikis, a partner at White & Case, by limiting their bets to United States Treasuries, government agency obligations and municipal issues. "Foreign exchange and gold and silver are out," he said. "This is good for foreign banks if it applies to U.S. banks globally."

That's a big if. Even the Glass-Steagall legislation applied only domestically, he noted. Nevertheless, Mr. Patrikis concluded: "The bill is a win for consumers and bad for banks."

Even so, last Friday, investors seemed to view the bill as positive for banks; an index of their stocks rose 2.7 percent on the day. That reaction is a bit of a mystery, given that higher costs, lower returns and capital raises lie ahead for financial institutions under Dodd-Frank.

Then again, maybe investors are already counting on the banks doing what they do best: figuring out ways around the new rules and restrictions.

http://www.nytimes.com/2010/07/23/business/economy/23norris.html?scp=16&sq=%22dodd%20frank%22%20%22consumer%20financial%20protection%20bureau%22&st=cse

She's a Candidate for a Job She Devised

By FLOYD NORRIS

Published: July 22, 2010

Can Mary and Elizabeth remake the financial world for consumers?

They just might, if Elizabeth can get the job.

The women referred to are not the queens who, you may recall, did not get along too well. Their dispute ended badly for Mary.

Mary is Mary Schapiro, the chairwoman of the Securities and Exchange Commission, which this week moved to open up more price competition in the selling of mutual funds, and soon will deal with the issue of just how much responsibility a stock broker has to act in a client's best interests.

Elizabeth is Elizabeth Warren, the Harvard law professor who dreamed up the idea for the Bureau of Consumer Financial Protection, which became law when President Obama signed the Dodd-Frank law this week.

Whether or not she is named to run the bureau may depend on how willing the president is to anger the banks yet again, and whether he is willing to risk a big confirmation battle in the Senate. There may be people less popular in bank boardrooms than Ms. Warren, but none come immediately to mind.

In making the decision, the president may want to keep in mind that those two organizations, the S.E.C. and the new bureau, will be largely responsible for the actions that will make the Dodd-Frank law visible to most Americans by the 2012 election.

Other provisions of the law — creation of a financial stability panel, a more transparent derivatives market, limits on bank risk-taking through proprietary trading, a new way to liquidate big banks — will be really noticed only if they fail and we get a new financial crisis. But the bureau and the commission could change the way financial products are sold and make it easier for those who are cheated to get compensation.

The bureau, more than most new agencies, is likely to be molded by its first boss.

While the average new agency is created by a law that gives it a bunch of duties no one had before, this agency is supposed to enforce laws long on the books that were enforced poorly, if at all, by the bank regulatory agencies. It will also establish new rules.

Never has the Biblical adage of "No man can serve two masters" been better proved than in bank regulation. The first duty of bank regulators is to protect the safety and soundness of banks, and it is easy to see why protecting consumers from hidden fees and unfair practices might seem to threaten bank profits and be contrary to the goal of healthy banks. To say the bank regulators neglected consumer protection is to be kind.

Logically, the belated discovery that financial consumer protection needs to be increased might have led to increased powers for the S.E.C., which was created to protect investors. But it stumbled badly in recent years, and that idea does not seem to have occurred to anyone.

Ms. Shapiro's move this week was to do something that sounds just like what Ms. Warren would propose for banks: bring fees out into the open, so everyone can see them.

The S.E.C. proposed rules to change the cozy system that lets "no load" mutual funds charge sales fees, known in the business as 12b-1 fees, that are taken from an investor's profits year after year. Under the proposal, the fees would be above board, and differing brokers selling funds could discount them if they chose to compete that way.

The commission will soon move to consider the issue of whether to require brokers to have a "fiduciary duty" to investors, meaning they would have to offer advice they believed to be in the customer's best interest. Such consideration is required by the new law, and how far the commission goes could help to determine just how consumer-oriented it is.

The most notable enforcement case of Ms. Shapiro's tenure can be read as an indication that she cares deeply about such issues.

Under current law, brokers serving retail investors are held to a limited standard requiring that investments be "suitable" to the buyer. But brokers for institutional investors have not faced even that minimal rule. That freed brokers to let clients view them as trusted advisers when pitching an investment. If and when the product blows up, the broker disclaims any responsibility for the bad investment decision made by the customer. The broker was simply a "counterparty" who took the other side of a trade that the customer wanted to do.

That essentially was Goldman Sachs's defense when the commission filed suit against it over a disastrous mortgage-backed securities deal that Goldman sold without telling customers that it had been partly created by the firm that wanted to bet it would fail. Goldman's settlement helps to establish a precedent that such sophistry must end.

The history between the banks and Ms. Warren goes back for many years. In their first epic battle, which lasted for nearly a decade, the banks scored a decisive victory. Their win, alas, was a pyrrhic one that led to hubris, bad lending practices and big losses.

In 1994, the Congress established the National Bankruptcy Review Commission, which was to suggest changes in the law. Ms. Warren, whose detailed research into why people file for bankruptcy is respected even among some of her critics, became the principal staff member for the commission, and soon ran afoul of the banks.

The banks wanted legal changes to make it harder for bankrupt people to escape credit card debt. The commission decided not to back most of what the banks wanted and to suggest a few things the banks hated.

The commission suggested weaker protection for mortgage lenders who lent out more than a home was worth. To combat what it saw as abuses by both debtors and creditors, the commission proposed changes like requiring audits of some claims by lenders and limiting the ability of banks to get borrowers to voluntarily reaffirm debts.

Even before the report came out in 1997, the banks had called on Congress to ignore the commission and pass a bill to crack down on consumer abuse of lenders. It took years, but in 2005, Congress passed and President George W. Bush signed the new law, called the Bankruptcy Abuse Prevention and Consumer Protection Act. The banks got pretty much what they wanted.

That act in fact did anything but protect consumers. Credit card lending had grown rapidly before it was passed, but it accelerated afterward. Banks thought there was new safety in lending to dubious credit risks because those borrowers could not use the bankruptcy laws to renege if they went broke.

That orgy of lending ended with the financial crisis. It is possible, even likely, that if the bankruptcy law passed in 2005 had been less friendly to the banks, they would have been less careless in their lending and lost less in the end.

Ms. Warren is one of the more intelligent people I know. She is not among the more diplomatic, which is a major reason she may not get the job. As chairwoman of the Congressional oversight panel on the bank bailouts, she has sometimes angered Treasury officials.

In a law review article calling for a financial consumer protection agency, she and a colleague explained the need as follows: "Thanks to effective regulation, innovation in the market for physical products has led to greater safety and more consumer-friendly features. By comparison, innovation in financial products has produced incomprehensible terms and sharp practices that hurt consumers and reduce social welfare."

There are more polite terms than "sharp practices" that she and her co-author could have used.

With the new law now enacted, liberal and labor groups are publicly demanding that Ms. Warren be appointed. Financial companies are doing their best to persuade the administration that she could not be confirmed.

The quandary faced by President Obama is reminiscent of one that confronted President Franklin Roosevelt after Congress created the S.E.C. in 1934. Then the president turned aside pleas from those who had pushed for reform and named Joseph P. Kennedy, a man who knew about financial industry abuses because he had taken part in them, as the commission's first chairman. Ferdinand Pecora, whose investigations had created the clamor for reform, was made a member, not the chairman, and he soon left the commission.

President Obama has no such ready compromise. The new office has a director, not a board, and it is hard to imagine what runner-up position could be offered to Ms. Warren.

The president could choose someone who will not ruffle too many feathers, and in the process avoid yet another Senate floor fight.

But if he names Ms. Warren, and she wins confirmation, she and Ms. Schapiro could become a dynamic duo in reforming Wall Street.

WALL STREET JOURNAL ARTICLES REGARDING CFPB:

- "Warning Shot on Financial Protection," 2/9/11
- "Republicans Unhappy With Watchdogs' Assessment of Consumer Bureau Powers," (1/19/11)
- "Lawmaker Raises Concerns About Consumer Agency," (1/18/11)
- "With New Power, GOP Takes On Consumer Agency," (11/23/10)
- "Elizabeth Warren: Plenty of Power," (11/18/10)

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http://online.wsj.com/article/SB10001424052748703507804576130370862263258.html?KEYWORDS=%22consumer+financial+protection+bureau%22

FEBRUARY 9, 2011

Warning Shot On Financial Protection

By JEAN EAGLESHAM

The enforcement chief of the new U.S. Consumer Financial Protection Bureau said the agency plans to "immediately" use its powers to take on any misbehavior by Wall Street firms and other financial institutions once the agency officially opens in July.

In his first interview since arriving at the agency last month to set up its enforcement operations, Richard Cordray suggested he will use the same aggressive approach that he was known for in his previous job as Ohio's attorney general. Last year, the 51-year-old Mr. Cordray described the foreclosure practices used by companies now under a nationwide investigation, including Wells Fargo & Co and the GMAC Mortgage unit of Ally Financial Inc., as "a business model built on fraud."

He said his new responsibilities are "in many ways doing on a 50-state basis the things I cared most about as a state attorney general, with a more robust and a more comprehensive authority."

The Consumer Financial Protection Bureau is a centerpiece of the Dodd-Frank financial-overhaul bill that passed last summer. Several federal regulators are slated to transfer some of their powers to the new agency on July 21.

Many financial firms opposed the establishment of the agency and are worried about a potential onslaught of sanctions ranging from reprimands to cease-and-desist orders to fines to bans on certain business practices. Republican lawmakers are trying to blunt the Consumer Financial Protection Bureau's powers and crimp its budget.

The launch of some of the agency's enforcement powers could be delayed if the new agency doesn't have a permanent director by July, as required by the Dodd-Frank law. Some Republicans still are angry that President Barack Obama appointed White House adviser Elizabeth Warren as a special adviser to get the agency off the ground, bypassing the Senate approval needed to name a permanent director.

Asked in the interview how soon the Consumer Financial Protection Bureau would start bringing enforcement actions, Mr. Cordray said: "I will be seeing to it that we will be ready with some of our priorities immediately."

Mr. Cordray said mortgages, credit cards and student loans are high on his enforcement agenda. No decisions will be made until the agency digs into problem areas and sets its "priorities accordingly," he said. "I don't prejudge what we're going to find."

In addition to banks, credit unions and securities firms, the new agency has oversight powers for thousands of payday lenders, mortgage-servicing operations, debt collectors and other financial companies.

Firms operating on "much more of a wild and woolly basis" than big banks are the most likely source of "aberrant and abusive practices," he said. "Consumer protection in the financial area has … taken a second place in most of the regulatory bodies, but we're going to have a different focus."

Consumer groups are pushing Mr. Cordray to wield his powers against traditional banks, citing the subprime-mortgage crisis as a failure by regulators. He said companies that opposed setting up the new agency should want even-handed regulation that "weeds out the bad actors" that compete unfairly against other firms.

"Good, solid financial businesses have nothing to fear and maybe much to gain," he said. The agency also wants to forge a "strong, cooperative relationship" with state attorneys general, and the Dodd-Frank law should make it easier for various state and U.S. agencies to combine forces, Mr. Cordray added.

The size of the Consumer Financial Protection Bureau's enforcement staff hasn't been decided yet. Mr. Cordray said discussions about dividing the agency's budget of about $400 million a year are "ongoing."

http://blogs.wsj.com/washwire/2011/01/19/republicans-unhappy-with-watchdogs-assessment-of-consumer-bureau-powers/?KEYWORDS=%22consumer+financial+protection+bureau%22

- January 19, 2011, 6:55 PM ET

Republicans Unhappy With Watchdogs' Assessment of Consumer Bureau Powers

By Victoria McGrane

House Republicans weren't happy with some of the answers they got from the inspectors general of Treasury and the Federal Reserve to a series of questions about the Consumer Financial Protection Bureau.

One example: Republican Reps. **Spencer Bachus**, chairman of the House Financial Services Committee, and **Judy Biggert**, a committee member, wanted to know if the IGs agreed with them that Treasury's authority to run the new consumer bureau expires on July 21, 2011, and afterwards the bureau "can function only if a director has been confirmed."

Nope, the watchdogs replied.

In fact, the Treasury secretary can continue to oversee the CFPB even after the so-called transfer date if a permanent director has not been named, according to the Jan. 10 reply. And even with Treasury still running the show, the new agency can exercise some – but not all – of the powers it is slated to get on July 21. These include writing certain rules and examining banks and credit unions that have more than $10 billion in assets – actions the bureau cannot do before July 21, with or without a director.

"Congress does not view 'informal' or 'interim' leadership as a substitute for Senate confirmation, and the longer such authority is exercised without the constitutionally recognized advice and consent of the Senate, the less legitimate that authority becomes," Rep. Biggert warned in a statement. She added that she didn't think the limits to Treasury's power are sufficiently clear.

Without a confirmed director, the bureau's powers are limited. Specifically, it couldn't ban "unfair, deceptive or abusive" consumer lending practices and would lack the authority to police certain nonbank financial firms such as payday lenders and check cashers.

The bureau's ability to crack down on the largely unregulated nonbank lenders was one of the few things politically influential community bankers liked about the new consumer agency. Community bankers, who compete in some areas with nonbank financial firms, feel they're at a disadvantage since the nonbanks are lightly regulated.

By highlighting this wrinkle, the IGs could increase pressure on the White House to nominate a director for the new agency soon. The confirmation process is expected to take months.

The report generally highlights the need for the White House to nominate a director so that "when the agency formally opens its doors it will be able to use all the consumer protection tools in its tool box," said Travis Plunkett, legislative director for the Consumer Federation of America.

President Barack Obama in September named Harvard Law professor Elizabeth Warren as the temporary leader for the new bureau, but there's been hardly a peep from the administration on when they plan to nominate a permanent director, not to mention who it might be.

In a Jan. 18 letter, Republican Rep. Randy Neugebauer, who leads the House subcommittee charged with overseeing the new agency, asked Ms. Warren to provide him with a timetable for naming a director, complaining that lawmakers have not been updated since September when Treasury Secretary Tim Geithner assured them he agreed it best to have a director in place "as soon as we can."

http://online.wsj.com/article/SB10001424052748703954004576089752769907460.html?KEYWORDS=%22consumer+financial+protection+bureau%22

- JANUARY 18, 2011, 10:00 A.M. ET

Lawmaker Raises Concerns About Consumer Agency

By MAYA JACKSON RANDALL

WASHINGTON—As House Republicans prepare for oversight hearings on the Consumer Financial Protection Bureau, a lawmaker is urging White House adviser Elizabeth Warren to shed more light on the agency's budget projections, rule-making plans and staffing decisions.

Rep. Randy Neugebauer (R., Texas) sent questions to Ms. Warren Tuesday in a four-page letter that provides further insight into GOP concerns. The letter comes as new House Republican leaders are considering when to hold their first hearings on the bureau and the Dodd-Frank regulatory overhaul that created it.

Mr. Neugebauer, who met with Ms. Warren on Jan. 4., said he is "quite pleased" with her professionalism and enthusiasm. However, he remains critical of the Consumer Financial Protection Bureau, or CFPB.

"I ... firmly believe that you are tasked with executing a fatally flawed plan, and I have many questions about the operations of the CFPB," wrote Mr. Neugebauer, who leads the House Financial Services Committee's oversight and investigations subpanel.

Conservative Republicans have argued that the Dodd-Frank Act was a broad overreach that could stifle financial markets, and they have described the consumer bureau—a centerpiece of the new law—as a regulatory agency with excessive power. Republicans, who took control of the House this month, have pledged to keep heat on the agency through vigorous oversight and new financial rules.

Meanwhile, Ms. Warren, whom President Barack Obama tapped to ready the bureau for its July launch, is working to ease concerns about the agency. She has been talking to bankers around the country and meeting with lawmakers, touting the agency as one that will help middle-class families avoid tricks and traps in financial markets.

Mr. Neugebauer raises questions about transparency and accountability at the bureau as well as worries about Ms. Warren's authority.

It is "unclear as to what specific responsibilities and supervisory authority" Ms. Warren has as she works to shape the consumer-watchdog agency, he wrote.

Also, Mr. Neugebauer wants to know how the bureau plans to ensure that its rules will not harm banks and consumers. Additionally, he asks about the White House's timetable for naming a permanent bureau director. He also said the Obama administration never answered questions about whether Ms. Warren is willing to testify on Capitol Hill.

Ms. Warren has said she isn't afraid to face congressional scrutiny and that a key goal for the bureau is to make credit markets more transparent for consumers.

"We don't have anything to hide. We're trying to build an agency here, and we're trying to do it on behalf of the American people," she said in a recent television interview.

Mr. Neugebauer asks for Warren's budget projections, noting that the financial overhaul authorizes the bureau to receive as much as $200 million a year for fiscal years 2010-2014, in addition to the roughly $400 million in funding it will receive from the Federal Reserve.

"Do you anticipate the bureau submitting a request to use this optional authority in FY 2011 or FY 2012?," he asks.

While Dodd-Frank Act structured the agency's funding in a way that would help protect the CFPB, Mr. Neugebauer and other critics have taken aim at the funding mechanism. The money comes from the Fed, which means it isn't subject to the congressional appropriations process.

"I strongly believe that this arrangement, at a minimum, diminishes the likelihood of effective congressional oversight," he said.

Write to Maya Jackson Randall at Maya.Jackson-Randall@dowjones.com

http://online.wsj.com/article/SB10001424052748703559504575631082414598868.html?KEYWORDS=%22consumer+financial+protection+bureau%22

NOVEMBER 23, 2010

With New Power, GOP Takes On Consumer Agency

By VICTORIA MCGRANE And DEBORAH SOLOMON

House Republican lawmakers fired the opening salvo Monday in a war they plan against the Consumer Financial Protection Bureau created by this year's overhaul of financial regulations.

Republican Reps. Spencer Bachus of Alabama, the leading contender to take the reins of the House Financial Services Committee, and Illinois Rep. Judy Biggert, the top Republican on the panel's oversight and investigations subcommittee, sent letters to the inspectors general of both the Treasury Department and the Federal Reserve, directing them to conduct an investigation into the work being done to establish the new bureau.

The lawmakers wrote that the agency warrants "rigorous" oversight by the inspectors general because it will play a significant role in credit availability for consumers and small businesses. GOP lawmakers have also sent letters to regulators on the legal bills incurred by former executives of government-controlled mortgage finance giants Fannie Mae and Freddie Mac and the economic impact of the financial-overhaul rules being written by the Securities and Exchange Commission.

The letters are the strongest signals yet of how the new House Republican majority plans to use its oversight powers to hobble elements of the Obama agenda.

While they have little hope of repealing the new consumer agency—which has broad powers to write rules for mortgages, credit cards and other financial products—Republicans can work to influence regulators to blunt the agency's power.

Sending critical letters and ordering up investigations are two time-honored ways lawmakers exert influence. In this case, Republicans have two main targets: the Treasury Department, which is running the new agency until it assumes its full powers on July 21, and Elizabeth Warren, who was tapped as a special adviser by President Barack Obama to lead the setup of the bureau.

The reports requested by the lawmakers will likely lead to hearings, another tool in the lawmakers' arsenal. Reps. Bachus and Biggert asked for the reports by Jan. 10.

In the letters, the lawmakers criticized the Treasury and Ms. Warren for not making public information about the meetings with lobbyists, financial-industry officials and others as they set up the bureau. As noted by Mr. Bachus and Ms. Biggert, other key financial regulators post details online of their meetings with outsiders as a result of the financial overhaul.

"There is a clear absence of accountability and transparency" about the activities Treasury is undertaking to establish the consumer bureau, the letters said.

Earlier this month, the Treasury Department adopted a "transparency policy," saying it would begin posting details of in-person meetings between private-sector individuals and high-level Treasury staff, including Secretary Timothy Geithner. The disclosures lag behind meetings by a month. The first posting is not expected until Dec. 31.

Ms. Warren's contacts with industry participants will be covered by the Treasury's disclosure policy because she is a special adviser to Mr. Geithner. However, a Treasury official said Ms. Warren's schedule will be more regularly on the consumer agency's website once one is established. A treasury spokesman added that Ms. Warren is also willing to testify before Congress. Treasury also has said anyone who wants earlier access to the meeting logs should file a Freedom of Information Act request.

Ms. Warren has made no secret of her contact with industry participants, saying the input of banks, consumer advocates and others is crucial to making the agency's work a success. Among those she has met with are J.P. Morgan Chase & Co. CEO James Dimon, as well as the heads of dozens of other Wall Street firms, according to people familiar with the meetings.

The lawmakers signaled they planned to scrutinize Ms. Warren's every move, writing that they "are concerned that Professor Warren will be approaching this task without any experience managing—or creating—an organization of this scale and importance."

Ms. Warren's supporters, including many congressional Democrats, argue that she is the best suited to establish the agency since it was her idea, which she first floated in 2006, including to then-Sen. Obama.

Among the issues the inspectors general have been asked to investigate is the power Ms. Warren enjoys in her temporary post, as well as how much authority the bureau has to write rules before it has a full-time director.

Write to Deborah Solomon at deborah.solomon@wsj.com http://blogs.wsj.com/washwire/2010/11/18/elizabeth-warren-plenty-of-power/?KEYWORDS=%22consumer+financial+protection+bureau%22

- November 18, 2010, 3:53 PM ET

Elizabeth Warren: Plenty of Power

By Victoria McGrane and Maya Jackson Randall

Just how much muscle the new Consumer Financial Protection bureau and its temporary leader, **Elizabeth Warren**, have before it gets its full powers and a permanent director next year is a matter of some angst in Washington and on Wall Street.

On Thursday, a key Treasury official said that Ms. Warren and her fledgling bureau have quite a bit of authority – including the ability to start the rule-writing process. The bureau can engage undertake studies, solicit feedback from the public "and I think even putting out proposals," Treasury's General Counsel **George Madison** said at a luncheon.

The bureau's current power does not, however, extend to issuing final rules, he said. Treasury Secretary **Timothy Geithner** has set July 21, 2011, as the date the consumer agency will receive all of the consumer protection authority from existing federal regulators, making that the target for having the bureau up and running at full speed.

Mr. Madison said he expects a permanent director to be named by then. President **Barack Obama** tapped Ms. Warren, a Harvard law professor who has been urging such an agency for years, to launch the bureau, but it remains unclear who he will nominate as its first official director.

But Mr. Madison's comments to the Women in Housing and Finance suggest that the bureau — which has broad new powers to write rules for mortgages, credit cards and other financial products — can do most of the heavy lifting before the so-called transfer date, a prospect that's likely to make many in the financial industry nervous.

212-416-8667

siobhan.kennedy@ag.ny.gov

Yolanda Jackson

From: Terryl Brown
Sent: Monday, April 11, 2011 10:20 AM
To: Yolanda Jackson
Subject: Fw: Meeting Request from General Schneiderman

18

Message sent from a Blackberry device

----- Original Message -----
From: Jackie Dischell
To: Terryl Brown
Sent: Fri Apr 08 11:57:46 2011
Subject: FW: Meeting Request from General Schneiderman

FYI

-----Original Message-----
From: Leandra.English@treasury.gov [mailto:Leandra.English@treasury.gov]
Sent: Thursday, February 24, 2011 12:40 AM
To: Jackie Dischell
Subject: RE: Meeting Request from General Schneiderman

Hi Jackie -

Sorry for the delay in getting back to you - am on travel with Prof. Warren.

I'm sure they would both be delighted to meet with General Schneiderman. Perhaps March 7th would be the best. I'm going to get this over to my scheduling folks here and get right back to you with possible times.

Thanks!

Leandra

-----Original Message-----
From: Jackie Dischell [mailto:Jackie.Dischell@ag.ny.gov]
Sent: Wednesday, February 23, 2011 9:40 AM
To: English, Leandra (CFPB)
Subject: Meeting Request from General Schneiderman

Hi Leandra,

I'm not sure if you're the person to contact about this, but since I have your contact information, I figured I would reach out to you.

General Schneiderman will be in D.C. on March 6th and 7th and would like to set up a meeting with Professor Warren and Richard Cordray (he may have spoken to them about this already - I know they spoke on Monday). As of right now, the AG is free from 4:30 - 5:30 on Sunday, March 6th and between 1:00 and 3:00 on Monday, March 7th. If neither of these times work, he might be able to a morning meeting on Tuesday, March 8th; however, since he has a meeting in NYC that afternoon, the 6th and the 7th are preferable. Please let me know if none of these times are convenient and perhaps we can find another time that works.

As always, please feel free to contact me with any questions or concerns.

Thanks so much,
Jackie

Jackie Dischell
Office of the New York State Attorney General
212.416.8997 (desk)
917.363.1668 (cell)

Yolanda Jackson

From: Terryl Brown
Sent: Monday, April 11, 2011 10:21 AM
To: Yolanda Jackson
Subject: Fw: D.C. Plans?

19

Message sent from a Blackberry device

From: Jackie Dischell
To: Terryl Brown
Sent: Fri Apr 08 11:58:34 2011
Subject: FW: D.C. Plans?

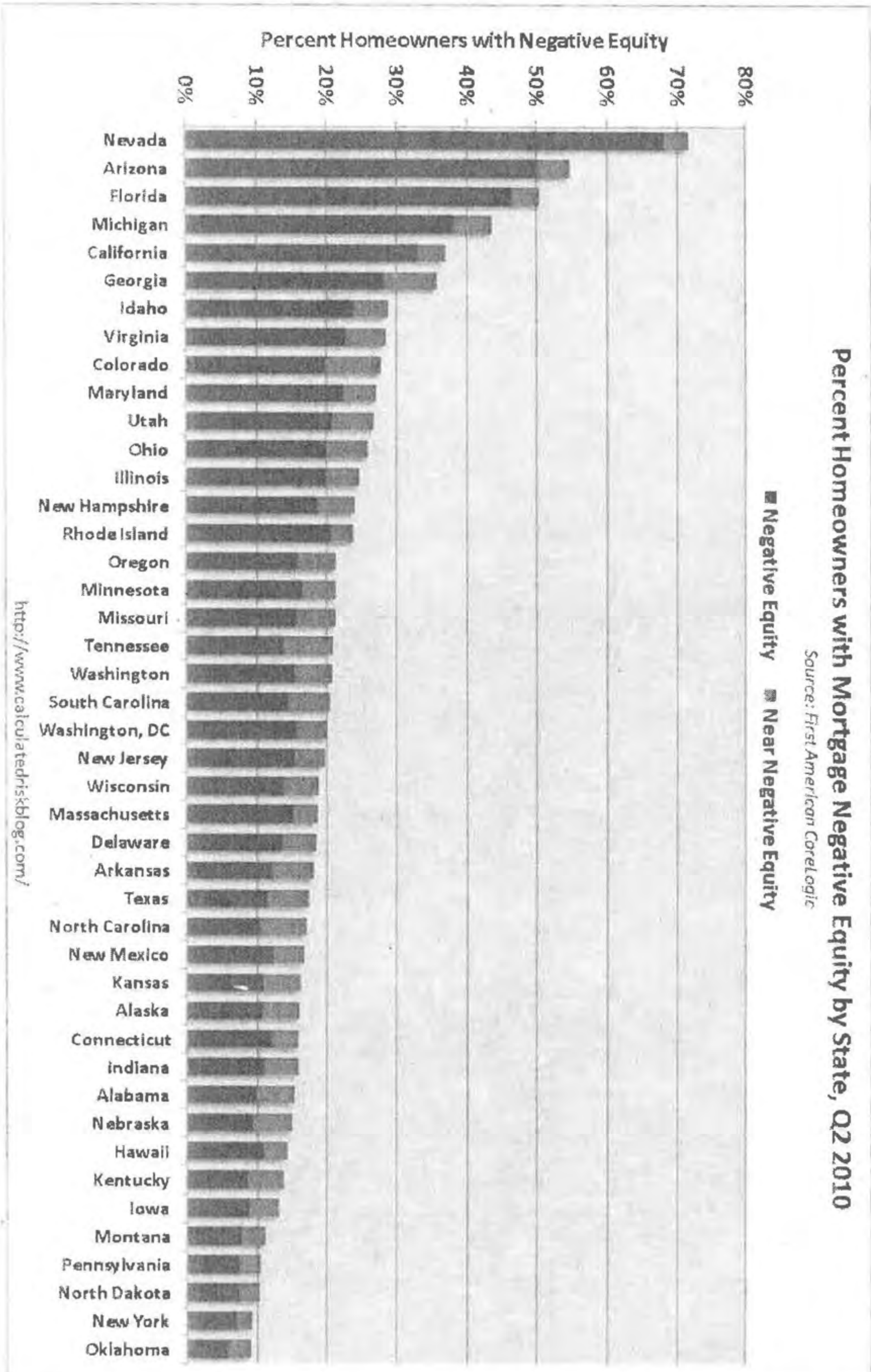
FYI

From: Neal Kwatra
Sent: Wednesday, March 02, 2011 12:16 PM
To: Jackie Dischell
Cc: Melissa DeRosa
Subject: Re: D.C. Plans?

Think I'm going sat too, but could also go down with him sunday. Let me discuss with him.

I'm prob gonna at least do elizabeth warren and podesta mtgs.

Message sent from a Blackberry device


Percent Homeowners with Mortgage Negative Equity by State, Q2 2010
Source: First American CoreLogic
Negative Equity
Near Negative Equity
Percent Homeowners with Negative Equity
0%
10%
20%
30%
40%
50%
60%
70%
80%
Nevada
Arizona
Florida
Michigan
California
Georgia
Idaho
Virginia
Colorado
Maryland
Utah
Ohio
Illinois
New Hampshire
Rhode Island
Oregon
Minnesota
Missouri
Tennessee
Washington
South Carolina
Washington, DC
New Jersey
Wisconsin
Massachusetts
Delaware
Arkansas
Texas
North Carolina
New Mexico
Kansas
Alaska
Connecticut
Indiana
Alabama
Nebraska
Hawaii
Kentucky
Iowa
Montana
Pennsylvania
North Dakota
New York
Oklahoma
http://www.calculatedriskblog.com/

Yolanda Jackson

From: Terryl Brown
Sent: Monday, April 11, 2011 10:23 AM
To: Yolanda Jackson
Subject: Fw: Or is she???

25

Message sent from a Blackberry device

From: Molly Keogh
To: Terryl Brown
Sent: Fri Apr 08 12:06:45 2011
Subject: FW: Or is she???

From: Molly Keogh
Sent: Monday, March 21, 2011 11:26 AM
To: James Freedland
Subject: Or is she???

Elizabeth Warren Is Not Jesus

Yves Smith, while rightly denouncing the right-wing attack on Elizabeth Warren, seems almost equally perturbed by the ardor of her defenders. But I think she misunderstands the nature of that defense.

Certainly in my case, while I like and admire Warren, I'm under no illusions that all will be right with the world if Warren does, in fact, become head of the Consumer Financial Protection Board. For one thing, consumer protection is at best a piece of financial reform, and arguably not the most important piece. And Warren is just a good person, not a saint; she's trying to work within the political limits of the possible, which means that much of what she does falls well short of what we'd like to see done.

But in a way that's the point: if a basically moderate, reasonable, well-intentioned person with such a good track record can be demonized, there is truly no hope for reform. And yes, defending Warren is an opportunity to fight the anti-reformers on relatively favorable ground: she's so obviously not a power-mad radical that the venom of the attacks makes the right look as unhinged as it really is.

My general view of politics and policy is that there are no saints and no geniuses; place too much faith in anyone, and you're bound to be let down. But there are villains, and they need to be fought.

OFFICE OF ATTORNEY GENERAL
STATE OF OKLAHOMA

February 8, 2011

The Honorable Sheila Bair, Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429

Re: Overdraft Protection Guidance

Dear Chairman Bair:

Your office has previously received correspondence from Mick Thompson, Bank Commissioner for the State of Oklahoma, addressing his concerns about enforcement of the FDIC's final guidance addressing the risks associated with overdraft payment programs (the "Overdraft Guidance"). As Oklahoma's Attorney General, I also have serious concerns about the FDIC's current application of the Overdraft Guidance and demand that such application cease.

First, the Overdraft Guidance at issue is not statutory in nature, nor is it the product of an administrative rule making process, yet it is being treated as law for enforcement purposes. More troubling is the fact that compliance with the Overdraft Guidance is being factored into the examination ratings of state-chartered institutions. As you know, these examination ratings directly impact the insurance premiums charged to institutions by the FDIC.

Second, the Overdraft Guidance is more strict than the regulations dealing with overdraft programs that apply to other financial institutions insured by the FDIC. This disparate treatment creates an uneven playing field and places state-chartered banks at a competitive disadvantage compared to national banks, Federal Reserve member banks, and credit unions. This situation is leading state-chartered institutions that are not members of the Federal Reserve to consider becoming either nationally chartered institutions or a Federal Reserve member. I strongly believe that state-chartered banks that are subject to state regulation allows for more competition in the financial services industry. Furthermore, state regulation allows for another layer of consumer protection in this very important sector of our economy.

Third, the FDIC's enforcement of the Overdraft Guidance may result in unintended consequences for consumers. Consumers that believe they have opted into an overdraft protection program and are fully aware of their bank's fees for this service, may instead find themselves subject to returned check fees from merchants, and even criminal prosecution by their local District Attorney.

Finally, the Consumer Financial Protection Bureau (CFPB) will soon be issuing rules governing these types of programs and banking services. It seems to be an inefficient use of resources by regulators and banks to work under Overdraft Guidance containing standards that may not be the law in a few short months.

As Attorney General, it is my responsibility to make sure consumers are vigorously protected in my state. However, it is also my responsibility to make sure regulated industries have a voice in making the rules that will govern their conduct and that such rules are fairly enforced. Please be advised that I am prepared to pursue all available legal remedies to ensure the fair treatment of Oklahoma's state-chartered banks.

Sincerely,

E. Scott Pruitt
Attorney General

ESP:clb

E. SCOTT PRUITT
ATTORNEY GENERAL OF OKLAHOMA

March 4, 2011

Re: Community Banking Overdraft Services

Dear Attorneys General:

I look forward to seeing you in Washington D.C. next week at the NAAG Spring Meeting. In advance of our roundtable discussion, I wanted to alert you to a serious concern I have regarding the FDIC's inappropriate enforcement of overdraft guidelines against state chartered community banks. The result of the FDIC's actions will likely harm consumers, and create an unfair regulatory environment harmful to community banks. Further, these guidelines have not been subject to the formal rule making process contained in the Administrative Procedures Act.

The overdraft guidance imposes substantive rules on community bankers, placing them at a competitive disadvantage with national banks and credit unions that do not fall under the supervision of the FDIC. State-chartered banks must already comply with the Federal Reserve's Regulation E, but due to the increased requirements contained in the overdraft guidance, some of these banks are considering the elimination of overdraft protection programs altogether. If that happens, many low to moderate-income families will be forced to find alternative products to address their credit needs. Such alternatives will most likely cost more and may have less consumer protections. In addition, the cost of returned checks is significant both in terms of out-of-pocket costs and the potential for criminal prosecution.

With the onset of the Consumer Financial Protection Bureau and the partnership of Attorneys General in protecting consumers, it is my hope my fellow Attorneys General will pay particular attention to this issue and inquire of your local banking commissions and community bankers to gauge the impact of the FDIC's overreach. As you can see by the attached letter, I have notified FDIC Chairman Sheila Bair of my concerns in this area and am prepared to pursue the necessary legal remedies to assure not only the interests of Oklahoma's consumers, but also the fair treatment of Oklahoma's state-chartered community banks.

Given the events of recent years, I fully understand the concerns of federal regulators when it comes to banking and the financial services industries. However, I think it is clear that our nation's state-chartered community banks were not engaged in the irresponsible practices that led to the financial crisis, yet they are being subjected to unwarranted and inappropriate regulation as if they were engaged in such practices. Oklahoma's state-chartered banks are the economic lifeblood of many communities across my state. Assuring that these banks remain viable is a priority for me. The overdraft guidance is an overreach that threatens that viability.

Sincerely,

E. Scott Pruitt
Attorney General

ESP:clb

OFFICE OF ATTORNEY GENERAL
STATE OF OKLAHOMA

February 8, 2011

The Honorable Sheila Bair, Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, D.C. 20429

Re: Overdraft Protection Guidance

Dear Chairman Bair:

Your office has previously received correspondence from Mick Thompson, Bank Commissioner for the State of Oklahoma, addressing his concerns about enforcement of the FDIC's final guidance addressing the risks associated with overdraft payment programs (the "Overdraft Guidance"). As Oklahoma's Attorney General, I also have serious concerns about the FDIC's current application of the Overdraft Guidance and demand that such application cease.

First, the Overdraft Guidance at issue is not statutory in nature, nor is it the product of an administrative rule making process, yet it is being treated as law for enforcement purposes. More troubling is the fact that compliance with the Overdraft Guidance is being factored into the examination ratings of state-chartered institutions. As you know, these examination ratings directly impact the insurance premiums charged to institutions by the FDIC.

Second, the Overdraft Guidance is more strict than the regulations dealing with overdraft programs that apply to other financial institutions insured by the FDIC. This disparate treatment creates an uneven playing field and places state-chartered banks at a competitive disadvantage compared to national banks, Federal Reserve member banks, and credit unions. This situation is leading state-chartered institutions that are not members of the Federal Reserve to consider becoming either nationally chartered institutions or a Federal Reserve member. I strongly believe that state-chartered banks that are subject to state regulation allows for more competition in the financial services industry. Furthermore, state regulation allows for another layer of consumer protection in this very important sector of our economy.

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Third, the FDIC's enforcement of the Overdraft Guidance may result in unintended consequences for consumers. Consumers that believe they have opted into an overdraft protection program and are fully aware of their bank's fees for this service, may instead find themselves subject to returned check fees from merchants, and even criminal prosecution by their local District Attorney.

Finally, the Consumer Financial Protection Bureau (CFPB) will soon be issuing rules governing these types of programs and banking services. It seems to be an inefficient use of resources by regulators and banks to work under Overdraft Guidance containing standards that may not be the law in a few short months.

As Attorney General, it is my responsibility to make sure consumers are vigorously protected in my state. However, it is also my responsibility to make sure regulated industries have a voice in making the rules that will govern their conduct and that such rules are fairly enforced. Please be advised that I am prepared to pursue all available legal remedies to ensure the fair treatment of Oklahoma's state-chartered banks.

Sincerely,

E. Scott Pruitt
Attorney General

ESP:clb

BRIEF SUMMARY OF THE DODD-FRANK WALL STREET REFORM AND CONSUMER PROTECTION ACT

Create a Sound Economic Foundation to Grow Jobs, Protect Consumers, Rein in Wall Street and Big Bonuses, End Bailouts and Too Big to Fail, Prevent Another Financial Crisis

Years without accountability for Wall Street and big banks brought us the worst financial crisis since the Great Depression, the loss of 8 million jobs, failed businesses, a drop in housing prices, and wiped out personal savings.

The failures that led to this crisis require bold action. We must restore responsibility and accountability in our financial system to give Americans confidence that there is a system in place that works for and protects them. We must create a sound foundation to grow the economy and create jobs.

HIGHLIGHTS OF THE LEGISLATION

Consumer Protections with Authority and Independence: Creates a new independent watchdog, housed at the Federal Reserve, with the authority to ensure American consumers get the clear, accurate information they need to shop for mortgages, credit cards, and other financial products, and protect them from hidden fees, abusive terms, and deceptive practices.

Ends Too Big to Fail Bailouts: Ends the possibility that taxpayers will be asked to write a check to bail out financial firms that threaten the economy by: creating a safe way to liquidate failed financial firms; imposing tough new capital and leverage requirements that make it undesirable to get too big; updating the Fed's authority to allow system-wide support but no longer prop up individual firms; and establishing rigorous standards and supervision to protect the economy and American consumers, investors and businesses.

Advance Warning System: Creates a council to identify and address systemic risks posed by large, complex companies, products, and activities before they threaten the stability of the economy.

Transparency & Accountability for Exotic Instruments: Eliminates loopholes that allow risky and abusive practices to go on unnoticed and unregulated -- including loopholes for over-the-counter derivatives, asset-backed securities, hedge funds, mortgage brokers and payday lenders.

Executive Compensation and Corporate Governance: Provides shareholders with a say on pay and corporate affairs with a non-binding vote on executive compensation and golden parachutes.

Protects Investors: Provides tough new rules for transparency and accountability for credit rating agencies to protect investors and businesses.

Enforces Regulations on the Books: Strengthens oversight and empowers regulators to aggressively pursue financial fraud, conflicts of interest and manipulation of the system that benefits special interests at the expense of American families and businesses.

STRONG CONSUMER FINANCIAL PROTECTION WATCHDOG

The Consumer Financial Protection Bureau

Independent Head: Led by an independent director appointed by the President and confirmed by the Senate.

***Elizabeth Warren – A Progressive Champion Of The Middle Class – Has Been Appointed To A Special White House Position To Oversee The Establishment Of This Board. She Was Supported By Progressives And Opposed By Wall Street Lobbyists And The GOP*

Independent Budget: Dedicated budget paid by the Federal Reserve system.

Independent Rule Writing: Able to autonomously write rules for consumer protections governing all financial institutions - banks and non-banks - offering consumer financial services or products.

Examination and Enforcement: Authority to examine and enforce regulations for banks and credit unions with assets of over $10 billion and all mortgage-related businesses (lenders, servicers, mortgage brokers, and foreclosure scam operators), payday lenders, and student lenders as well as other non-bank financial companies that are large, such as debt collectors and consumer reporting agencies. Banks and Credit Unions with assets of $10 billion or less will be examined for consumer complaints by the appropriate regulator.

Consumer Protections: Consolidates and strengthens consumer protection responsibilities currently handled by a host of different agencies, which also have the responsibilities to support the banks and lenders.

Able to Act Fast: With this Bureau on the lookout for bad deals and schemes, consumers won't have to wait for Congress to pass a law to be protected from bad business practices.

Educates: Creates a new Office of Financial Literacy.

Consumer Hotline: Creates a national consumer complaint hotline so consumers will have, for the first time, a single toll-free number to report problems with financial products and services.

Accountability: Makes one office accountable for consumer protections. With many agencies sharing responsibility, it's hard to know who is responsible for what, and easy for emerging problems that haven't historically fallen under anyone's purview, to fall through the cracks.

Works with Bank Regulators: Coordinates with other regulators when examining banks to prevent undue regulatory burden. Consults with regulators before a proposal is issued and regulators could appeal regulations they believe would put the safety and soundness of the banking system or the stability of the financial system at risk.

SEC AND IMPROVING INVESTOR PROTECTIONS

Fiduciary Duty: Gives SEC the authority to impose a fiduciary duty on brokers who give investment advice --the advice must be in the best interest of their customers.

Encouraging Whistleblowers: Creates a program within the SEC to encourage people to report securities violations, creating rewards of up to 30% of funds recovered for information provided.

SEC Management Reform: Mandates a comprehensive outside consultant study of the SEC, an annual assessment of the SEC's internal supervisory controls and GAO review of SEC management.

New Advocates for Investors: Creates the Investment Advisory Committee, a committee of investors to advise the SEC on its regulatory priorities and practices; the Office of Investor Advocate in the SEC, to identify areas where investors have significant problems dealing with the SEC and provide them assistance; and an ombudsman to handle investor complaints.

SEC Funding: Provides more resources to the chronically underfunded agency to carry out its new duties.

Federal Insurance Office: Creates the first ever office in the Federal government focused on insurance. The Office, as established in the Treasury, will gather information about the insurance industry, including access to affordable insurance products by minorities, low- and moderate- income persons and underserved communities. The Office will also monitor the insurance industry for systemic risk purposes.

International Presence: The Office will serve as a uniform, national voice on insurance matters for the United States on the international stage.

Streamlines regulation of surplus lines insurance and reinsurance through state-based reforms.

LOOKING OUT FOR THE NEXT BIG PROBLEM: ADDRESSING SYSTEMIC RISKS

The Financial Stability Oversight Council

Tough to Get Too Big: Makes recommendations to the Federal Reserve for increasingly strict rules for capital, leverage, liquidity, risk management and other requirements as companies grow in size and complexity, with significant requirements on companies that pose risks to the financial system.

Regulates Nonbank Financial Companies: Authorized to require, with a 2/3 vote and vote of the chair, that a nonbank financial company be regulated by the Federal Reserve if the council believe there would be negative effects on the financial system if the company failed or its activities would pose a risk to the financial stability of the US.

Break Up Large, Complex Companies: Able to approve, with a 2/3 vote and vote of the chair, a Federal Reserve decision to require a large, complex company, to divest some of its holdings if it poses a grave threat to the financial stability of the United States – but only as a last resort.

Make Risks Transparent: Through the Office of Financial Research and member agencies the council will collect and analyze data to identify and monitor emerging risks to the economy and make this information public in periodic reports and testimony to Congress every year.

No Evasion: Large bank holding companies that have received TARP funds will not be able to avoid Federal Reserve supervision by simply dropping their banks. (the "Hotel California" provision)

Capital Standards: Establishes a floor for capital that cannot be lower than the standards in effect today and authorizes the Council to impose a 15-1 leverage requirement at a company if necessary to mitigate a grave threat to the financial system.

ENDING TOO BIG TO FAIL BAILOUTS

Limiting Large, Complex Financial Companies and Preventing Future Bailouts

No Taxpayer Funded Bailouts: Clearly states taxpayers will not be on the hook to save a failing financial company or to cover the cost of its liquidation.

Discourage Excessive Growth & Complexity:

Volcker Rule: Requires regulators implement regulations for banks, their affiliates and holding companies, to ***prohibit proprietary trading***, investment in and sponsorship of hedge funds and private equity funds, and to limit relationships with hedge funds and private equity funds. Nonbank financial institutions supervised by the Fed also have restrictions on proprietary trading and hedge fund and private equity investments. The Council will study and make recommendations on implementation to aid regulators.

Extends Regulation: The Council will have the ability to require nonbank financial companies that pose a risk to the financial stability of the United States to submit to supervision by the Federal Reserve.

Liquidation: Creates an orderly liquidation mechanism for FDIC to unwind failing systemically significant financial companies. Shareholders and unsecured creditors bear losses and management and culpable directors will be removed.

Costs to Financial Firms, Not Taxpayers: Taxpayers will bear no cost for liquidating large, interconnected financial companies. FDIC can borrow only the amount of funds to liquidate a company that it expects to be repaid from the assets of the company being liquidated. The government will be first in line for repayment. Funds not repaid from the sale of the company's assets will be repaid first through the claw back of any payments to creditors that exceeded liquidation value and then assessments on large financial companies, with the riskiest paying more based on considerations included in a risk matrix

Bankruptcy: Most large financial companies that fail are expected to be resolved through the bankruptcy process.

Limits on Debt Guarantees: To prevent bank runs, the FDIC can guarantee debt of solvent insured banks, but only after meeting serious requirements: 2/3 majority of the Board and the FDIC board must determine there is a threat to financial stability; the Treasury Secretary approves terms and conditions and sets a cap on overall guarantee amounts; the President activates an expedited process for Congressional approval.

CREATING TRANSPARENCY AND ACCOUNTABILITY FOR DERIVATIVES

Bringing Transparency and Accountability to the Derivatives Market

Central Clearing and Exchange Trading: Requires central clearing and exchange trading for derivatives that can be cleared and provides a role for both regulators and clearing houses to determine which contracts should be cleared.

Closes Regulatory Gaps: Provides the SEC and CFTC with authority to regulate over-the-counter derivatives so that irresponsible practices and excessive risk-taking can no longer escape regulatory oversight.

Market Transparency: Requires data collection and publication through clearing houses or swap repositories to improve market transparency and provide regulators important tools for monitoring and responding to risks.

Financial safeguards: Adds safeguards to system by ensuring dealers and major swap participants have adequate financial resources to meet responsibilities. Provides regulators the authority to impose capital and margin requirements on swap dealers and major swap participants, not end users.

Higher standard of conduct: Establishes a code of conduct for all registered swap dealers and major swap participants when advising a swap entity. When acting as counterparties to a pension fund, endowment fund, or state or local government, dealers are to have a reasonable basis to believe that the fund or governmental entity has an independent representative advising them.

NEW OFFICES OF MINORITY AND WOMEN INCLUSION

At federal banking and securities regulatory agencies, the bill establishes an Office of Minority and Women Inclusion that will, among other things, address employment and contracting diversity matters. The offices will coordinate technical assistance to minority-owned and women-owned businesses and seek diversity in the workforce of the regulators.

MORTGAGE REFORM

Require Lenders Ensure a Borrower's Ability to Repay: Establishes a simple federal standard for all home loans: institutions must ensure that borrowers can repay the loans they are sold.

Prohibit Unfair Lending Practices: Prohibits the financial incentives for subprime loans that encourage lenders to steer borrowers into more costly loans, including the bonuses known as "yield spread premiums" that lenders pay to brokers to inflate the cost of loans. Prohibits pre-payment penalties that trapped so many borrowers into unaffordable loans.

Establishes Penalties for Irresponsible Lending: Lenders and mortgage brokers who don't comply with new standards will be held accountable by consumers for as high as three-years of interest payments and damages plus attorney's fees (if any). Protects borrowers against foreclosure for violations of these standards.

Expands Consumer Protections for High-Cost Mortgages: Expands the protections available under federal rules on high-cost loans -- lowering the interest rate and the points and fee triggers that define high cost loans.

Requires Additional Disclosures for Consumers on Mortgages: Lenders must disclose the maximum a consumer could pay on a variable rate mortgage, with a warning that payments will vary based on interest rate changes.

Housing Counseling: Establishes an Office of Housing Counseling within HUD to boost homeownership and rental housing counseling.

TACKLING THE EFFECTS OF THE MORTGAGE CRISIS

Neighborhood Stabilization Program: Provides $1 billion to States and localities to combat the ugly impact on neighborhood of the foreclosure crisis -- such as falling property values and increased crime - by rehabilitating, redeveloping, and reusing abandoned and foreclosed properties.

Emergency Mortgage Relief: Building on a successful Pennsylvania program, provides $1 billion for bridge loans to qualified unemployed homeowners with reasonable prospects for reemployment to help cover mortgage payments until they are reemployed.

Foreclosure Legal Assistance. Authorizes a HUD administered program for making grants to provide foreclosure legal assistance to low- and moderate-income homeowners and tenants related to home ownership preservation, home foreclosure prevention, and tenancy associated with home foreclosure.

INSURANCE CREDIT SCORE PROTECTION

Monitor Personal Financial Rating: Allows consumers free access to their credit score if their score negatively affects them in a financial transaction or a hiring decision. Gives consumers access to credit score disclosures as part of an adverse action and risk-based pricing notice.

HEDGE FUNDS

Raising Standards and Regulating Hedge Funds

Fills Regulatory Gaps: Ends the "shadow" financial system by requiring hedge funds and private equity advisors to register with the SEC as investment advisers and provide information about their trades and portfolios necessary to assess systemic risk. This data will be shared with the systemic risk regulator and the SEC will report to Congress annually on how it uses this data to protect investors and market integrity.

Greater State Supervision of hedge funds with less that $100 million in assets: Raises the assets threshold for federal regulation of investment advisers from $30 million to $100 million, a move expected to significantly increase the number of advisors under state supervision. States have proven to be strong regulators in this area and

subjecting more entities to state supervision will allow the SEC to focus its resources on newly registered hedge funds.

CREDIT RATING AGENCIES

New Requirements and Oversight of Credit Rating Agencies

New Office, New Focus at SEC: Creates an Office of Credit Ratings at the SEC with expertise and its own compliance staff and the authority to fine agencies. The SEC is required to examine Nationally Recognized Statistical Ratings Organizations at least once a year and make key findings public.

Disclosure: Requires Nationally Recognized Statistical Ratings Organizations to disclose their methodologies, their use of third parties for due diligence efforts, and their ratings track record.

Independent Information: Requires agencies to consider information in their ratings that comes to their attention from a source other than the organizations being rated if they find it credible.

Conflicts of Interest: Prohibits compliance officers from working on ratings, methodologies, or sales; installs a new requirement for NRSROs to conduct a one-year look-back review when an NRSRO employee goes to work for an obligor or underwriter of a security or money market instrument subject to a rating by that NRSRO; and mandates that a report to the SEC when certain employees of the NRSRO go to work for an entity that the NRSRO has rated in the previous twelve months.

Liability: Investors can bring private rights of action against ratings agencies for a knowing or reckless failure to conduct a reasonable investigation of the facts or to obtain analysis from an independent source. NRSROs will now be subject to "expert liability" with the nullification of Rule 436(g) which provides an exemption for credit ratings provided by NRSROs from being considered a part of the registration statement.

Right to Deregister: Gives the SEC the authority to deregister an agency for providing bad ratings over time.

Education: Requires ratings analysts to pass qualifying exams and have continuing education.

Eliminates Many Statutory and Regulatory Requirements to Use NRSRO Ratings: Reduces over-reliance on ratings and encourages investors to conduct their own analysis.

Independent Boards: Requires at least half the members of NRSRO boards to be independent, with no financial stake in credit ratings.

Ends Shopping for Ratings: The SEC shall create a new mechanism to prevent issuers of asset backed-securities from picking the agency they think will give the highest rating, after conducting a study and after submission of the report to Congress.

EXECUTIVE COMPENSATION AND CORPORATE GOVERNANCE
Gives Shareholders a Say on Pay and Creating Greater Accountability

Vote on Executive Pay and Golden Parachutes: Gives shareholders a say on pay with the right to a non-binding vote on executive pay and golden parachutes. This gives shareholders a powerful opportunity to hold accountable executives of the companies they own, and a chance to disapprove where they see the kind of misguided incentive schemes that threatened individual companies and in turn the broader economy.

Nominating Directors: Gives the SEC authority to grant shareholders proxy access to nominate directors. These requirements can help shift management's focus from short-term profits to long-term growth and stability.

Independent Compensation Committees: Standards for listing on an exchange will require that compensation committees include only independent directors and have authority to hire compensation consultants in order to strengthen their independence from the executives they are rewarding or punishing.

No Compensation for Lies: Requires that public companies set policies to take back executive compensation if it was based on inaccurate financial statements that don't comply with accounting standards.

SEC Review: Directs the SEC to clarify disclosures relating to compensation, including requiring companies to provide charts that compare their executive compensation with stock performance over a five-year period.

IMPROVEMENTS TO BANK AND THRIFT REGULATIONS

Volcker Rule Implements a strengthened version of the Volcker rule by not allowing a study of the issue to undermine the prohibition on proprietary trading and investing a banking entity's own money in hedge funds, with a *de minimis* exception for funds where the investors require some "skin in the game" by the investment advisor--up to 3% of tier 1 capital in the aggregate

Stronger lending limits: Adds credit exposure from derivative transactions to banks' lending limits.

Interest on business checking: Repeals the prohibition on banks paying interest on demand deposits.

Charter Conversions: Removes a regulatory arbitrage opportunity by prohibiting a bank from converting its charter (unless both the old regulator and new regulator do not object) in order to get out from under an enforcement action.

Establishes New Offices of Minority and Women Inclusion at the federal financial agencies

INTERCHANGE FEES

Protects Small Businesses from Unreasonable Fees: Requires Federal Reserve to issue rules to ensure that fees charged to merchants by credit card companies debit card transactions are reasonable and proportional to the cost of processing those transactions.

SECURITIZATION

Reducing Risks Posed by Securities

Skin in the Game: Requires companies that sell products like mortgage-backed securities to retain at least 5% of the credit risk, unless the underlying loans meet standards that reduce riskiness. That way if the investment doesn't pan out, the company that packaged and sold the investment would lose out right along with the people they sold it to.

Better Disclosure: Requires issuers to disclose more information about the underlying assets and to analyze the quality of the underlying assets.

MUNICIPAL SECURITIES
Better Oversight of Municipal Securities Industry

Registers Municipal Advisors: Requires registration of municipal advisors and subjects them rules written by the MSRB and enforced by the SEC.

Puts Investors First on the MSRB Board: Ensures that at all times, the MSRB must have a majority of independent members, to ensure that the public interest is better protected in the regulation of municipal securities.

Fiduciary Duty: Imposes a fiduciary duty on advisors to ensure that they adhere to the highest standard of care when advising municipal issuers.

Congo Conflict Minerals:

Manufacturers Disclosure: Requires those who file with the SEC and use minerals originating in the Democratic Republic of Congo in manufacturing to disclose measures taken to exercise due diligence on the source and chain of custody of the materials and the products manufactured.

Illicit Minerals Trade Strategy: Requires the State Department to submit a strategy to address the illicit minerals trade in the region and a map to address links between conflict minerals and armed groups and establish a baseline against which to judge effectiveness.

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December 22, 2010 Wednesday

HEADLINE: New consumer agency is frightfully necessary — and late; Foreclosure crisis

BYLINE: Elizabeth Warren; elizabethwarren@do.treas.gov

No one has missed the headlines: Haphazard and possibly illegal practices at mortgage-servicing companies have called into question home foreclosures across the nation.

The latest disclosures are deeply troubling, but they should not come as a big surprise. For years, both individual homeowners and consumer advocates sounded alarms that foreclosure processes were riddled with problems.

While federal and state investigators are still examining exactly what has gone wrong and why, two things are clear.

First, several financial services companies have already admitted that they used "robo-signers," false declarations, and other workarounds to cut corners, creating a legal nightmare that will waste time and money that could have been better spent to help this economy recover. Mortgage lenders will spend millions of dollars retracing their steps, often with the same result that families who cannot pay will lose their homes.

Second, this mess might well have been avoided if the Consumer Financial Protection Bureau had been in place just a few years ago.

The new consumer agency is one of the signature accomplishments of the Dodd-Frank Wall Street Reform and Consumer Protection Act signed into law by President Obama this summer.

The new agency will take on oversight responsibilities that had been scattered among several federal agencies, and it will be a new cop on the beat that will end big loopholes in the regulatory system.

For the first time, banks and non-bank lenders (such as payday lenders, check cashers and mortgage brokers) will be subject to the same federal oversight to ensure that they are all playing by the same rules-no more turning sideways and slipping through the regulatory cracks.

Lost in much of the back-and-forth over wrongful foreclosures is the question of whether the scandal could have been prevented. The answer is yes.

The practices now under investigation took root and grew because there was no single federal regulator with both the responsibility and the tools to look out for consumers.

Had it existed, the new consumer agency could have stopped these problems before they multiplied. Many of the failures already admitted were not sophisticated scams that had been carefully concealed. By enforcing existing laws and involving state authorities early on, the agency could have made sure that the law was respected. No one would need to wonder whether the world of borrowing and lending works only one way: Families have to follow the legal rules, but the rules are optional for big banks.

Once it is fully operational, the new consumer agency will have supervisory authority over all large mortgage servicers. It will be able to examine them on a regular basis to make sure they follow the rules. If those servicers decide it is cheaper or faster to circumvent federal law, the consumer agency will have the tools to hold them accountable.

No one will be allowed to break the rules without triggering a strong and prompt federal response.

Currently, the federal interagency foreclosure task force, including the members of the Financial Services Oversight Council, is working along with the state Attorneys General to get to the bottom of these problems. The implementation team for the new consumer agency is also working to assemble and coordinate teams to deal with servicing and other issues.

These efforts are critical, but there is more work to do: We must ensure this kind of scandal-or some close cousin-does not happen again.

A mortgage is the biggest financial commitment most Americans will make in a lifetime, and the toll on Florida has been especially heavy and the need for oversight particularly apparent. A few weeks ago, I watched proceedings in a Fort Lauderdale foreclosure court and saw firsthand the painful outcomes for numerous families.

Unfair servicing practices can worsen a family's already difficult economic situation, and the injury echoes from the family to the community and ultimately throughout the economy. Cops on the beat can stop problems before the damage spreads. If there ever was any doubt that the new consumer agency is necessary, the latest foreclosure developments should put that to rest.

Elizabeth Warren is the special advisor to the secretary of the Treasury for the Consumer Financial Protection Bureau and an assistant to the president.

The Wall Street Journal

October 1, 2010 Friday

HEADLINE: It's Time To Simplify Financial Regulation

BYLINE: By Elizabeth Warren

Three generations ago, President Franklin Roosevelt appointed Joseph P. Kennedy to the new Securities and Exchange Commission. The president's selection of a businessman outraged many at the time. One commentator described it as "setting a wolf to guard a flock of sheep."

Shortly after he was appointed, Kennedy observed: "Everybody says that what business needs is confidence. I agree. Confidence that if business does the right thing it will be protected and given a chance to live, make profits and grow, helping itself and helping the country. . . . We are not working on the theory that all the men and all the women connected with finance, either as workers or investors, are to be regarded as guilty of some undefined crime. On the contrary, we hold that business based on good will should be encouraged." Based on that premise, Kennedy used regulation to strengthen America's financial markets and help protect investors.

Thanks to the new Dodd-Frank reform law, for the first time we will have a single federal agency charged with writing the rules for all mortgages and all credit cards -- regardless of whether they are issued by a federally chartered bank, a state chartered credit union, or a group of unlicensed investors.

Banks and non-bank lenders will now be subject to the same federal oversight to ensure that they are playing by the same rules. The new law will also consolidate critical consumer financial protection activities now performed by seven different agencies into one agency.

Perhaps most remarkably, the agency will not simply create new regulations: It has the power to get rid of old ones that are outdated, expensive or don't work. This new framework will provide major opportunities for the financial services industry and significant relief for American families.

But the deeper issue that this agency will face is how to determine when it should act and when it should not. It would be possible to move forward primarily with a "thou shalt not" approach, declaring regulations like an omniscient oracle. It would also be possible to focus simply on adding more disclosures that would drive up costs for the industry, while giving consumers more paper to throw away.

I think we should take a different approach.

Three and a half years ago, the Financial Services Roundtable -- a trade association representing America's biggest banks -- embraced a new, principles-based regulatory framework. Their first principle is "Fair treatment for consumers." Their explanation of how to tell if that principle has been met is based on a few straightforward questions: Can customers understand the product? Can they figure out the costs and risks of a given product? And can they compare products in the marketplace?

Moving forward, the new agency should focus on the very same questions.

For consumers, this would mean products that are easy to understand and compare. For lenders, regulatory compliance costs might be reduced. Competition would flourish, but in ways that consumers can see, such as better service and lower prices.

Two weeks ago, President Obama appointed me to serve as his assistant, and Treasury Secretary Timothy Geithner asked me to serve as his special adviser responsible for getting the new Consumer Financial Protection Bureau off the ground. Shortly after the president walked me into the Rose Garden to announce my appointment, I started calling the CEOs of financial institutions. My first day on the job, I met with community bankers from Oklahoma. The following day I met with credit union leaders. On Wednesday night, I walked into an audience of several hundred industry leaders at a Financial Services Roundtable event to ask them to help us repair a broken consumer credit market.

The very early feedback I've received indicates that the industry is eager for simplification. Some bankers have told me that a short, easy-to-read agreement is exactly what they want. And many others have expressed their interest in working with the new agency to advance a robust market for consumer credit -- one that produces real competition that benefits millions of Americans.

At the birth of this new agency, we have a remarkable opportunity to put aside misconceptions and work together. Let's build something better for families, for the financial industry, and for the American economy.

Ms. Warren is an assistant to the president and a special adviser to the secretary of the Treasury for the Consumer Financial Protection Bureau.

May 9, 2010 Sunday

HEADLINE: Fine print

BYLINE: Elizabeth Warren

All of life is in the fine print -- and that's precisely the problem.

Contract law is based on the idea that two people can come together and strike a deal, knowing that the courts will enforce their agreement if something goes wrong. I teach contract law, and I firmly believe that it is the foundation of our free-market economy and critical to personal liberty.

Over the past generation, the proliferation of fine print, in everything from car loans to credit card applications to television commercials, has shaken what we value about contracts. Fine print means that one party (think: a big corporation) can lay down the terms of the deal in a way that the other party (think: a customer) is unlikely to figure out. Long after the contract has been signed, the party that inserted all the fine print can do almost anything -- raise prices, cut service, extend the contract -- all because the fine print says so.

Remember that our current financial crisis began one lousy mortgage at a time -- one lousy, incomprehensible, complex mortgage loaded with tripwires and legalese at a time. Many borrowers knew they were engaging in a high-risk game, but millions of others were unaware of what they had agreed to until the foreclosure notices started coming.

Fine print costs everyone else money, too, because it makes products impossible to compare. (Just look at four credit card agreements and try identifying the cheapest one.) By decreasing competition, fine print increases prices.

My proposal is simple: no more fine print. If you can't explain something in simple, straightforward terms, it shouldn't be part of the agreement.

Elizabeth Warren is the Leo Gottlieb professor of law at Harvard Law School. She chairs the congressional panel overseeing the Troubled Assets Relief Program (TARP).

THE NATIONAL
LAW JOURNAL
& Legal Times
An ALM publication
FEBRUARY 7, 2011

ABETH WARREN

Agenda Unknown

As financial protection bureau staffs up, mission details are murky.

BY JENNA GREENE

Ask lawyers to describe the new Consumer Financial Protection Bureau, and they respond with three adjectives: enormous, powerful—and unknown.

THE DODD-FRANK ACT

Slated to open on July 21, the regulatory entity created by the Dodd-Frank Act seems sure to generate enough rulemakings and enforcement actions to sustain entire practice groups.

If only lawyers knew quite what it was going to do. "Clients have questions and

SEE CFPB, PAGE 11

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BY DAVID BARIO

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BY SHERI QUALTERS

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CFPB, FROM PAGE 1

you can't answer them, you really can't," said Robert Clarke, who was comptroller of the currency from 1985 until 1992 and is now a senior partner at Bracewell & Giuliani in Houston. "My clients are sitting around and saying, 'How can we plan when we have no idea what's coming down the pipeline?' "

Under Dodd-Frank, the bureau is charged with regulating mortgages, credit cards, loans, credit reporting bureaus, debt collectors and other financial products and services. It will have 700 to 1,000 employees and a budget of up to $500 million funded independently by Federal Reserve fees.

"Basically, the Consumer Financial Protection Bureau will be a watchdog for the American consumer, charged with enforcing the toughest financial protections in history," said President Obama in September when he appointed Harvard Law School professor Elizabeth Warren to oversee the agency's launch until a director is confirmed by the U.S. Senate.

To lawyers who anticipate representing clients before the agency, one of the most crucial questions is who will run it. Warren—viewed as "the devil incarnate" by the banking industry, Clarke said—is the bureau's architect. She called for its creation in her 2007 article, "Unsafe at Any Rate," arguing that credit should be subject to safety regulations, just like toasters and other physical products.

If she is ultimately nominated to serve as director, as some think she will be, she's bound to face a fierce confirmation battle in the Senate. Four state attorneys general—Tom Miller of Iowa, Lisa Madigan of Illinois, Ray Cooper of North Carolina and Martha Coakley of Massachusetts—have also been contacted about the top job, according to Bloomberg.

Another name in the mix is Melissa Bean, a three-term House Democrat from Illinois who narrowly lost her re-election bid in November. Also mentioned are Assistant Treasury Secretary Michael Barr, New York state bank regulator Richard Neiman and former Office of Thrift Supervision director Ellen Seidman.

AWKWARD LIFTOFF

To McDermott Will & Emery partner Stephen Ryan, who heads the firm's government strategies practice, the leadership limbo is exacting a toll. "It's the most awkward liftoff I've ever seen of a new agency," he said. "Professor Warren is setting policies for a successor who in all likelihood can't be her.... It's like putting rocks in your pocket. It's already hard enough to stand up. There's a fractured agency structure to begin with."

Key legal positions, however, have recently been filled. Former Ohio Attorney General Richard Cordray—who in October said banks had "a business model built on fraud" when it comes to mortgage foreclosures—has been named head of the enforcement division. "I certainly see targeting big banks as one of his priorities," said Kelley Drye & Warren partner Christie Grymes, who is based in Washington and chairs the firm's consumer product safety practice group. Cordray also provides a bridge to other state attorneys general, who under Dodd-Frank have the authority to enforce the bureau's regulations in court.

RICHARD CORDRAY: The former Ohio attorr named to head the bureau's enforcement

The bureau's general counsel is Leonard Kennedy, who was general counsel of Sprint Nextel Corp. from 2001 to 2008 and, before that, a partner at Dow Lohnes in Washington. Lawyers appreciated his *Fortune* 100 perspective, but as Arnold & Porter counsel Beth DeSimone noted, "He has no background in financial services." Still, she found consolation that "he does come from a regulated entity, so he knows the effects of regulation."

Kennedy's principal deputy is Meredith Fuchs, previously chief investigative counsel for the House Committee on Energy and Commerce. She's also a former partner at Wiley Rein.

Both deputy general counsel are alums of Wilmer Cutler Pickering Hale and Dorr, a firm known for its revolving-door ties to another key financial regulator, the U.S. Securities and Exchange Commission. One-time Wilmer litigation associate Roberto Gonzalez joins the agency from the Office of White House Counsel, and Michael Gordon, formerly counsel to Wilmer, comes from the Treasury Department's office of the general counsel.

Leonard Chanin will lead the agency's rule-writing team. He was formerly with the Federal Reserve, where he was deputy director of the Division of Consumer and Community Affairs. From 1999 to

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Two lawyers from the Federal Trade Commission's Division of Financial Practices, Alice Hrdy and Lucy Morris, have been detailed to the bureau since its inception in September.

OVERLAPPING AGENDAS

Given the potential for overlap between the two agencies, the move makes sense. The new bureau has authority to enforce most existing consumer financial protection laws, such as the Truth-in-Lending Act and the Fair Credit Reporting Act. It's also charged with stopping unfair, deceptive or abusive acts (similar to Section 5 of the FTC Act), and assumes the FTC's authority to write rules or issue reports covering those who offer financial services to consumers.

In addition, the two agencies can enforce each other's rules and intervene in each other's cases. A memorandum of understanding is in the works to make sure they don't duplicate efforts.

In a Jan. 20 speech to the U.S. Chamber of Commerce, FTC Chairman Jon Leibowitz reassured members that "neither agency will have the time to double-team the legitimate businesses the Chamber represents," he said, adding that the list of bad actors is "long enough that no one in this room need worry about double jeopardy."

The bureau also picks up authority from a half-dozen other agencies including the Federal Reserve, the Treasury Department and the Department of Housing and Urban Development.

"I hope the bureau can work cooperatively with existing regulators rather than having it be a 'Who Can Regulate the Heaviest' contest," said Morgan, Lewis & Bockius business and finance partner Kathleen Collins, who is based in Washington. She said one of the first questions for the bureau is determining who will be subject to its authority as "nondepository-covered persons."

This could include Wal-Mart Stores Inc., for example, which offers check cashing and money transfers at its 1,500 Money Centers, or Best Buy Co. Inc., which has kiosks in its stores where customers can pay their utility bills. "It's a huge number of parties to be regulated," Collins said. "No one wants to be a covered person."

Another unknown is whether the bureau will emulate the banking regulators' model of enforcement, in which examination of an entity typically precedes an action, or the "FTC route, where they immediately act on consumer complaints," said Arnold & Porter's DeSimone.

Ryan of McDermott Will predicted the bureau will move swiftly to crack down on pay-day and tax-refund loans.

But he noted that millions of people use these products, and taking them away amounts to "treating taxpayers like dogs not allowed to eat the dog food they want." As the bureau moves forward, Ryan said, he hopes its focus will be on "notice, education and transparency, rather than telling people they can't do something."

Another "first-tier priority" is likely to be credit card and mortgage disclosures, said Jacob Lutz, a Richmond, Va., partner who chairs Troutman Sanders' financial institutions practice group.

To Lutz, the agency stands to be a "900-pound gorilla," he said. "Every time a consumer makes a financial transaction, the goal of the agency is to ensure the consumer's interest is protected. It's an enormous mandate."

Jenna Greene can be contacted at jgreene@alm.com.

Wall Street Journal

February 25, 2011, 10:56 AM ET

Rep. Waters: $20 Billion Settlement Would Be Too Low

By Nick Timiraos

A top Democrat on the House Financial Services Committee signaled that the broad outlines of a settlement to resolve mortgage-servicer abuses should push for penalties higher than the reported $20 billion figure.

On Thursday, the Journal reported that the Obama administration, federal regulators, and state attorneys general were ironing out broad outlines of a settlement to resolve abuses that first surfaced when foreclosure processes broke down last fall. The settlement could push for banks to write down loan balances for troubled borrowers, and several stakeholders in the talks have pushed for a settlement of more than $20 billion.

Rep. Maxine Waters (D., Calif.) issued a statement on Friday implying that such a figure would be too low.

"Though this figure sounds like a large settlement to those unfamiliar with the scale of the foreclosure crisis, we must remember that over 3 million homes have been lost to foreclosure since 2006," she said in the statement. "This settlement is too small, and will likely have one of two results: either borrowers will receive insignificant principal reductions, or reductions will only be available to a small subset of troubled borrowers."

Ms. Waters also said that any settlement should be contrasted with the one that Bank of America Corp. reached with state attorneys general in 2008 to settle alleged predatory lending abuses on behalf of Countrywide Financial Corp., which it acquired that year. The settlement was valued at $8.6 billion.

She also said that regulators should focus additional attention on potential failures within the transfer of notes during the securitization process that might run afoul of federal tax rules for the treatment of certain mortgage-backed securities.

The banking industry has knocked the Obama administration's nascent proposal, saying that the settlement is too large relative to the size of their abuses and that it is also too small to have any meaningful impact on the housing market.

House Republicans, meanwhile, will advance legislation next week to terminate four housing-aid programs, including the White House's signature Home Affordable Modification Program. Rep. Patrick McHenry (R., N.C.) told the Journal that the Obama administration wouldn't have the authority to compel banks to create additional modification programs.

Wall Street Journal

MARCH 1, 2011, 6:29 P.M. ET

Mortgage Servicers Told to Re-Examine Foreclosure Paperwork

By VICTORIA MCGRANE, DAN FITZPATRICK And DAVID BENOIT

Regulators are asking some of the biggest mortgage servicers to re-examine their foreclosure paperwork as part of potential enforcement actions against 14 institutions, said people familiar with the situation.

The so-called "look back" requirement is among the proposed remedies included in draft actions received by banks last week, these people said. The proposed orders went to all 14 institutions under review for breakdowns in foreclosure procedures that erupted last fall. The servicers include Bank of America Corp., J.P. Morgan Chase & Co. and Wells Fargo & Co.

Regulators and servicers are discussing the draft orders and regulators expect to conclude the process "very soon," one person familiar with the situation said. The enforcement actions from the Office of the Comptroller of the Currency, the Federal Reserve and other regulators could become part of a larger global settlement involving an array of federal agencies and state attorneys general.

HSBC Holdings PLC, among the 14 servicers under review, said Monday it suspended its foreclosure proceedings in the U.S. after cease-and-desist letters from the OCC and Fed noted "certain deficiencies" in its processes.

HSBC said it is in discussions with the OCC and the Federal Reserve on its cease-and-desist orders and expects consent orders soon. As recently as November, HSBC had said it had "no concerns with its processes" and hadn't halted foreclosures.
More

Another of the 14 servicers, PNC Financial Services Group Inc., said in a filing Tuesday it expects to enter into consent orders with the OCC and Fed and will likely face fines. PNC said it had delayed some foreclosures and identified some issues, but that it is "confident" those problems have been resolved after an internal review.

The actions proposed by regulators in its draft orders sent last week include operational and governance changes, as well a provision asking the banks to identify any borrowers who were improperly foreclosed on or who may have suffered other types of financial harm, said people familiar with the situation.

Regulators would provide supervisory oversight of the reviews, these people said.

Some banks have already conducted such examinations internally and are discussing how additional reviews can be done without slowing foreclosures further, said another person familiar with the situation.

Several of the 14 banks under review have disclosed in recent weeks that investigations by the Federal Reserve and the OCC into foreclosure practices will likely result in fines and costly changes to the way banks run their mortgage business. The banks, including Bank of America and J.P. Morgan, also said they expect delays and rising costs in their foreclosure efforts.

Write to Dan Fitzpatrick at dan.fitzpatrick@wsj.com and David Benoit at david.benoit@dowjones.com

The New York Times

Officials Disagree on Penalties for Mortgage Mess

By NELSON D. SCHWARTZ and DAVID STREITFELD

Published: March 2, 2011

Even as state attorneys general and regulators in Washington approach the end of their investigation into abuses by the nation's biggest mortgage companies, deep disputes are emerging over how much to punish the banks as well as exactly who should benefit from a settlement.

The newly created Consumer Financial Protection Bureau is pushing for $20 billion or more in penalties, backed up by the attorneys general and the Federal Deposit Insurance Corporation.

But other regulators, including the Office of the Comptroller of the Currency, which oversees national banks, and the Federal Reserve, do not favor such a large fine, contending a small number of people were the victims of flawed foreclosure procedures.

As the negotiations grind on, there are signs that the banks still have not come to grips with the problems plaguing the foreclosure process. These problems burst into view last fall with accounts of so-called robo-signers processing thousands of foreclosures at a time without the required legal safeguards. The resulting furor prompted the attorneys general and other government officials to step in. Some banks suspended foreclosures to review their processes before resuming.

On Monday, though, HSBC disclosed that it had suspended foreclosures after regulators found "deficiencies" in its handling of them. These included problems with court affidavits, notarization, mortgage documentation and oversight of law firms, a spokesman for the lender, which is based in London, said. HSBC declined to say how many homeowners were affected.

"The events of the fall really uncovered and provided a degree of focus on fundamental problems in the way banks service and foreclose on mortgages," said Paul Leonard of the Center for Responsible Lending. "Regulators have a great opportunity to come up with some serious fixes."

Assuming, that is, they can agree. As difficult as it is to decide on a figure for any broad settlement, the question of what to do with the money could ultimately prove more vexing.

If only victims of problems at the servicers are helped in a settlement, that would cover a small portion of homeowners who are in default and even fewer of those whose homes are valued at less than they owe.

All the regulators declined to comment publicly on just how close they are to wrapping up a global settlement that would be presented to the banks. But signs of the differences have emerged in public testimony as well as in private conversations with government officials.

The acting comptroller of the currency, John Walsh, testified last week that while there were widespread problems with documentation and oversight of law firms and other crucial links in the foreclosure chain, only a "small number of foreclosure sales should not have proceeded."

Despite skepticism on the part of the comptroller's office, other regulators would like a broader plan to help pay for modifications of mortgages that are delinquent or in default, even if homeowners cannot point to a specific example of wrongdoing on the part of servicers. In other cases, the money might be used to help mortgage holders whose loan principal exceeds the home's current value.

What's more, the Obama administration, as well as the F.D.I.C., sees any broad settlement with the servicers as an opportunity to do more than just fix the foreclosure process. They want to stabilize the housing market, where prices are continuing to decline, and try to help bolster the economic recovery, which is facing newer threats like higher oil prices.

Some two million American homes are in foreclosure, a third of which are vacant. Another two million households are behind on their payments and facing the prospect of foreclosure this year. To make matters worse, roughly a fifth of the nation's home loans exceed the value of the underlying house, raising the risk that homeowners will simply walk away, further weakening the housing market.

Right now, the Obama administration argues, the housing market is facing the worst of both worlds — a big back-up in foreclosures as procedures are reworked, and a similarly long wait to get a mortgage modification in which the principal or the interest rate of the loan is lowered, easing monthly payments.

Any settlement would include provisions to streamline the modification process, which has proceeded at a snail's pace at many servicers, frustrating many homeowners. The money from the banks, in turn, would help cover the cost of reducing principal and interest payments, paving the way for more modifications. Advocates argue that would finally get the housing market moving again.

But even if these proposals make it past all the regulators, they face fierce opposition from the banks, which argue that what the administration and the attorneys general have in mind is a back-door bailout for delinquent homeowners.

"It's like taking money that should be paid to the Treasury and using it for an unappropriated social program," said a lawyer for one of the top servicers, who spoke anonymously because the negotiations were still fluid and the banks had yet to be presented with a proposed settlement. "This is a bad idea, no matter who pays for it."

The nation's largest mortgage servicer, Bank of America, is already readying what will be among the industry's main arguments: that it is unfair to reward homeowners who are delinquent or underwater but cannot point to specific errors in their case.

"The question is one of fairness, who should receive a modification and who should not," said Jim Mahoney, a spokesman for the bank. Too broad a rescue package, he said, "could forestall the housing market recovery or even create perverse incentives."

One possibility, industry insiders and banking lobbyists suggest, is that homeowners might deliberately become delinquent on their loans to get a principal reduction. Housing activists counter that homeowners seeking modifications are often told by their lenders to stop payments, and then end up in foreclosure.

The debate reflects some degree of weariness with foreclosure, as the administration's signature mortgage modification program is under attack by both House Republicans and housing activists as a failure.

"There has been a tension in this country during the financial crisis," said Michael S. Barr, a former Treasury official now at the University of Michigan Law School. "People want those who are in economic trouble to get a fair shake. But they don't want them bailed out for making their own mistakes, like buying too big a home."

While regulators worry about how punitive any eventual settlement should be, lawyers and other advocates for the foreclosed who were hoping for criminal charges are set to be disappointed.

That sanction, everyone seems to agree, is off the table. In testimony in December about the improper foreclosures by banks, Daniel K. Tarullo, a Federal Reserve governor, floated the notion of imposing fines on individuals found responsible for violations or banning them from banking, but officials involved in the talks said this idea had not gotten much traction either.

"The fact is, when the banks prepared their foreclosure paperwork for the courts, they lied about the credentials of their witnesses," said Thomas Cox, a Maine lawyer who works with foreclosure assistance groups. "Criminal sanctions would act as a deterrent."

March 9, 2011

The Honorable Timothy F. Geithner
Secretary
Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Mr. Secretary:

On Thursday, March 3, 2011, five of the nation's largest financial institutions received a draft settlement term sheet from the U.S. Department of Justice on behalf of other federal and state agencies to settle allegations related to improper foreclosures and other servicing problems. Although the Administration has not apprised the House Financial Services Committee — the Committee of jurisdiction on issues pertaining to the banking system and housing — of its role in the settlement negotiations or the potential terms of the settlement, part of the draft settlement term sheet has been made public.

If the terms of the draft settlement are implemented as proposed, the settlement would transform the mortgage servicing industry and fundamentally change the rules that have historically governed relationships among borrowers, servicers and investors. The breadth and scope of the draft settlement proposal raise significant concerns about its effect on the financial system, as well as concerns that the Administration and state agencies are attempting to legislate through litigation. In addition, reports about the role played by political appointees in the Treasury Department —including those affiliated with the Consumer Financial Protection Bureau (CFPB), an agency that does not yet have any regulatory or enforcement authority — raise further questions about the process through which the terms of the settlement are being negotiated .

Traditionally, the remedies imposed by federal banking regulators have been limited to restitution for victims specifically harmed by misconduct, money penalties, or injunctions requiring improvements in internal controls or management. Yet this draft settlement requires far more. The settlement agreement not only legislates new standards and practices for the servicing industry, it also resuscitates programs and policies that have not worked or that Congress has explicitly rejected. For instance, the settlement agreement seeks to revive the Home Affordable Modification Program (HAMP), a deeply flawed Administration initiative that Congress is currently considering terminating, and to require write-downs of mortgage principal, which both the House and Senate have rejected in the context of bankruptcy proceedings.[1]

[1] On April 30, 2009, the Senate voted down an amendment to allow bankruptcy judges to reduce the principal on a mortgage backed by a borrower's primary residence by a vote of 45 to 51 (Durbin Amendment No. 1014, Vote #174, April 30, 2009). On December 11, 2009, the

The draft settlement agreement raises a number of important legal and public policy questions. Accordingly, we respectfully request a detailed response to the following questions by March 18, 2011.

- What specific legal authority grants federal and state regulators and agencies the power to require mortgage principal reductions when the House and Senate have voted down such proposals?
- What specific legal authority grants federal and state regulators and agencies the power to effectively legislate new rules and standards for the mortgage servicing industry?
- What role did persons associated with the CFPB have in drafting the proposals in the draft term sheet? What specific legal authority permits an official associated with an agency that does not have regulatory or enforcement authority to participate in settlement negotiations?
- How do the proposals in the draft settlement term sheet relate to parallel investigations or enforcement actions being carried out by the federal banking regulators?
- Were political appointees involved in drafting the draft settlement term sheet? If so, is their involvement consistent with provisions in the National Bank Act, the Home Owners' Loan Act and the Dodd-Frank Act which prevent the Treasury Secretary from intervening "in any matter or proceeding before the Comptroller of the Currency (including agency enforcement actions), unless otherwise specifically provided by law"?[2]
- What is the Treasury Department's policy related to political appointees' involvement in enforcement matters and actions?
- Under the draft term sheet, it appears that monetary penalties collected from servicers will be used to support mortgage modifications – including principal write-downs – for borrowers who were not affected by the foreclosure documentation irregularities that are at issue. What is the legal basis for using funds collected in an enforcement action to benefit parties who have not been harmed by the purported wrongdoing?
- Have the officials who drafted the term sheet considered how its terms would affect the safety and soundness of the financial institutions bound by it?

House voted to reject a measure that would have allowed a mortgage cram-down by a vote of 188 to 241 (H.R. 4173, Marshall Amendment, Vote #963, December 11, 2009).

[2] 12 U.S.C. 1; 12 U.S.C. 1462a(b)(3); Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. No. 111-203) Section 314(a).

- Will forcing servicers to fund principal reductions for underwater loans they service affect the incentive of mortgagors to stay current on their loans?

- Will additional foreclosure mitigation policies mandated by the draft term sheet delay recovery in the housing market and lead to further erosion of investor confidence? Will foreclosure mitigation policies deter private investment in the mortgage market?

- Recent estimates suggest that ~~more than eleven million~~ mortgages in the U.S. are currently underwater. Consequently, the financial institutions named in the draft term sheet service many more underwater loans than could possibly be written down as part of this settlement. What standards will ~~govern the process by which servicers select~~ which borrowers receive a principal write-down?

Thank you for your consideration of this request. We look forward to your prompt response.

Sincerely,