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Bankers try to put a better face before Congress

Jim Kuhnhehn
The Associated Press
Friday, February 5, 2010; 5:13 AM

WASHINGTON -- Chief executives at some of the biggest financial institutions are on a mission to repair their image with Congress and the public, part of a strategy to gain more influence over legislation that would overhaul financial regulations and intrude further into their business.

Top bankers fanned out across Capitol Hill on Thursday, meeting with House and Senate members involved in banking policies. They were led by Richard Davis, the chairman and CEO of U.S. Bancorp, and Robert Kelly, chairman and CEO of Bank of New York Mellon.

"The No. 1 goal we have is to be relevant to this fix," said Davis, who is also **chairman of the Financial Services Roundtable, an industry group.**

Illustrating the hard task before them, Sen. Christopher Dodd, the chairman of the Senate Banking Committee, voiced exasperation with the industry and signaled to colleagues that he would proceed with legislation at the end of the month with or without Republican support.

"Instead of investing in improvements that would secure their financial strength, too many people in the industry have decided to invest in an army of lobbyists whose only mission is to kill the common-sense financial reforms we have been working so hard to achieve," Dodd said.

The effort by the bankers is part of an industrywide push to put a face on banking that is not defined by Wall Street giants such as Goldman Sachs and Citigroup, institutions that have borne the brunt of public and congressional criticism.

"The word 'bank' covers a lot of ground; part of our role is to provide some differentiation," said James Smith, chairman and CEO of Webster Bank, a regional New England bank based in Connecticut, Dodd's home state.

Smith, Davis and Kelly were interviewed by The Associated Press as they began a day of private sessions with lawmakers from both parties.

If the banking industry lobbyists have been the combat troops in the effort to influence regulatory legislation, then these bankers are casting themselves as the diplomats, seeking to assure lawmakers that they share more in common than not.

JPMorgan Chase CEO Jamie Dimon has also made the rounds in Washington. Last week, he met with President Barack Obama and a group of other executives at the beginning of the week and ended Friday in a private meeting with Treasury Secretary Timothy Geithner. In between, he was on the Capitol campus meeting with, among others, House Republican leader John Boehner.

Beyond these meetings, the industry is also taking the public's pulse, underwriting national surveys of customers, small businesses and corporations to gauge how much damage control they have ahead of them. The polling is a joint effort of the Financial Services Roundtable and the American Bankers Association.

"We need to tell our story better than we have in the past," Davis said.

Kelly, who heads an industry group of the biggest banks, the Financial Services Forum, said bankers agree with the administration that no financial institution should be deemed too big to fail. He said they support regulations that would allow for the orderly dismantling of a failing firm and assign the costs of such a dissolution to large financial institutions. And they support adding regulations to nonbank entities that engage in financial transactions.

At the same time, they still have substantive differences that have been major sticking points between Democrats and Republicans. The House passed its version of regulatory legislation in December without any Republican support.

As Davis, Kelly and Smith made their rounds, Wall Street executives were before Dodd's committee questioning a new regulatory proposal advanced by the Obama administration. That proposal would limit the size of big bank holding companies and prohibit them from conducting certain speculative trading if they participated in commercial banking.

Dodd has been struggling to achieve a bipartisan bill. His meetings with top Senate Republican Richard Shelby of Alabama have not yet yielded an agreement.

"I think we are at a critical juncture," Dodd said. "We are getting to the point where we need to pull the trigger."

In an effort to prod Shelby, committee officials said Dodd has indicated he wants a bill by the end of the month.

"There is still a chance for a bipartisan bill, said Sen. Bob Corker, R-Tenn., a member of the Banking Committee. "But I understand that the chairman feels a need to move ahead with a bill."

ID Fraud Grew 12% in 2009, But Wells Fargo's Fraud Losses Are Down
Bank Systems & Technology
February 10, 2010
By Penny Crosman

There's a good news/bad news scenario in the results of Javelin Research's latest identity fraud survey released today: although this type of crime is growing (by 12% in 2009), it's growing less quickly than it did in 2008 (a scary 22% during that tumultuous year) and identity fraud cases are getting reported and resolved more quickly. One aspect of the speedier resolutions is improvements in bank technology such as fraud detection.

According to the 2010 Identity Fraud Survey Report, 11.1 million U.S. adults were victims of identity fraud in 2009, while the total annual fraud amount increased by 12.5 % to \$54 billion. Average fraud resolution time dropped 30% to 21 hours, and nearly half of the victims file police reports, resulting in double the reported arrests, triple the prosecutions, and double the percentage of convictions in 2009. The identity information most likely to be compromised in a data breach is full name (63%) and physical address (37%). Health insurance information has been targeted at a year-over-year increased rate of 4%. The percentage of Social Security numbers compromised decreased to 32% from 38% in 2008.

Related ResourcesEnterprise Case Management After the Storm: A new era for risk management in financial services Authentication and Fraud Detection Buyer's Guide from Entrust "Identity fraud goes up when economic health goes down," says James Van Dyke, founder and president of Javelin, in an exclusive interview with Bank Systems & Technology. "It's almost a perfect correlation. Criminals are doing more than they've ever done before and they're motivated more right now than ever before."

The survey found an increase in stolen checking account numbers and health information documents and that small business owners suffer identity fraud at 1.5 times the rate of all other adults.

Van Dyke describes identity fraud as a unique crime because often it's interconnected criminals stealing data from family and friends. In 13% of cases, he says, the victims know the identity of the perpetrator. "The closer people are to you, the more they have an advantage because you're looking at a crime of impersonation," Van Dyke explains. "The service provider has to try to use as many legitimate ways as possible to confirm your identity."

On the bright side, this survey and other research Javelin has done prove that banks' fraud-fighting technology works much better than it did a year ago. A case in point in Wells Fargo, which was a co-sponsor of the survey.

"We know that because of all the tools we have in our layered security approach, as well as through relationships we've built with other banks, the actual losses we're seeing (and we guarantee all online banking fraud losses) has actually dropped year over year," says Teddy de Rivera, executive vice president of the Internet Services Group at Wells Fargo, in an exclusive interview. Although he couldn't share numbers, he said online losses at his bank are relatively small.

Wells Fargo's fraud detection systems profile customers' online behavior and monitor it the way credit card fraud detection software analyzes card purchases — any unusual payments or actions are flagged. If a customer logs in from a new location, uses a different computer, changes his bill pay pattern or suddenly makes more or higher payments, those would all be signs of potential fraud. "We're able to detect and discover fraud, get in touch with customers and make sure that we validate before we let payments go through," de Rivera says. While the software Wells Fargo uses to detect online banking fraud is very similar to its card fraud detection tools, it's more effective because the bank has more data about online banking. "We're all creatures of habit, so typically when someone goes in to do online banking, they tend to do a lot of the same things," he says. "We have visibility into all of that information."

The bank has also been rolling out out-of-band two-factor authentication it calls Advanced Access. "If you're setting up a new payment to move money from your BofA account to your Wells Fargo account, the tool asks you to put in a one-time code that we text to you or send via voice alert," de Rivera explains.

But customers have some responsibility to protect their own information, he points out. "The most important thing consumers can do is monitor their bank account and make sure there are no unusual actions," de Rivera says. They can do this by making frequent use of mobile banking and reading the SMS and email alerts the bank sends about account activity such as a low balance or an unusually large payment.

Although a customer who receives frequent email alerts could become susceptible to phishing (whereby the customer opens an email that he thinks is from his bank or some other trusted source and unwittingly gives a criminal the information to access his computer), Wells Fargo educates its customers to recognize and avert this type of fraud. "The basic advice we give is that the bank will not ask you for sensitive information over the phone or through a text message or email," says de Rivera. "That's one of the most important things consumers should know." The

bank instructs customers to call the number on the back of their ATM card, go to the bank's official website or walk into a branch if they're not sure about a communication from the bank.

Comparing notes with other financial institutions has also been extremely helpful to Wells Fargo, de Rivera says. The bank is a founding member of the Identity Theft Assistance Center and an owner (along with Bank of America, BB&T and JPMorgan Chase) of Early Warning Services, a company that collects and shares banks' fraud data. "If a fraudster is doing things over at BofA or at Wells, we share some of that information and intelligence," de Rivera says. "That's very powerful because the fraudsters like to play the banks against each other. Sometimes we're able to spot the bad guys by the devices they come in with."

The methodology for the Javelin study was originally created by the Federal Trade Commission, which still uses its results. The research firm phone-interviewed 5,000 U.S. adults aged 18 and up. They were asked 50 questions such as, how they know their information was compromised (of those who do know), how it was used in actual fraudulent transactions, what are they doing to protect themselves, and how long did the crime go on.

About one in 20 U.S. adults — 4.8% — believe they were victims of identity fraud in 2009. This year, like every other year, credit card fraud was the most common type of fraud. However, credit card fraud is also the least costly to consumers, Van Dyke points out, because their financial providers make them whole.

New account fraud is on the rise; it accounts for about a third of all fraud cases. "These are the most damaging types of fraud," Van Dyke says. "They typically have higher dollar amounts and if somebody establishes an account in your name, you're less likely to know about it." The number of fraudulent new credit card accounts increased to 39% of all identity fraud victims, up from 33% in 2008. New fraudulent online accounts opened more than doubled over the previous year. This year for the first time, the survey asked about new mobile phone account fraud; 29% of victims said they experienced this.

One finding of the report that surprised de Rivera was that millennials (consumers aged 18 to 24 years old) take nearly twice as many days to detect fraud, compared to other age groups, and thus are fraud victims for longer periods of time. Millennials were found to be the least likely group to monitor accounts regularly and take advantage of monitoring programs offered by financial institutions. "We monitor the stuff that a lot of people are putting on social networking sites like Facebook," he says. "People have to be circumspect about what they put out on their Facebook page." For instance, people can unintentionally reveal personal

information via Facebook or Twitter the phishers could use to send realistic-sounding messages to them.

Financial executives spent big on Brown

Boston Globe

February 1, 2010

By Casey Ross

In a six-day span just before the US Senate election, Republican Scott Brown collected nearly \$450,000 from donors who work at financial companies, a sign the industry is prepared to spend heavily in the upcoming midterm elections to beat back new controls and taxes President Obama wants to impose.

Graphic Boost for Brown The donations, from hundreds of financial executives, far exceeded what Brown received from doctors and others in the health care industry in the final days of the campaign. While Brown saw donations from all quarters explode in mid-January, as polls showed him closing fast on opponent Martha Coakley, the donations from financial workers coincided with several key developments that would affect their companies.

On Jan. 14, five days before the Senate election, President Obama proposed a fee on large financial firms to recoup the cost of the government's bailout of the industry, and he angrily demanded that those firms cut executive bonuses.

The president was also pushing the Senate to follow the House of Representatives and adopt sweeping changes that would impose controls on the trading of exotic securities, limit risk-taking by the largest institutions, and create an agency to protect consumers from abusive lending practices.

Martin Gruss, owner of a West Palm Beach, Fla., investment firm, said he gave \$2,400 to Brown because he vehemently disagrees with the policies being pursued by Obama and his economic aides.

"They have no real understanding of the business implications of their actions," he said, adding that limits on trading securities would undermine the position of the United States as the world's financial capital. "I contributed to Scott Brown because his election will help redress the balance of power in the Senate."

The industry's giving could also spell trouble for Democrats in next fall's midterm elections, especially following the US Supreme Court decision last month that allows corporations to spend unlimited amounts to influence political contests.

Already, the financial services sector is the single largest base of donors to federal campaigns, giving an industry record \$476 million in the 2007-2008 election cycle, much more than the second-largest giver, lawyers and lobbyists, who contributed \$270 million, according to the Center for Responsive politics.

“People like me are scouring the country for conservative candidates,” said John Mumford, a California venture capitalist who gave the maximum \$2,400 contribution to Brown four days before the election. “What’s going on in Washington is against everything I believe in, which is small government, balanced budgets, and support for free enterprise.”

During the campaign, Brown generally opposed increased regulation of the financial industry, but did not address the bills pending in Congress.

In an interview last week, Brown said he is “all ears” on Obama’s proposal to limit risk-taking by financial institutions, but of the president’s call for a fee on the biggest banks, the new senator said, “we already have enough taxation.” Asked if he will be influenced by donations from financial executives, Brown said, “I’m not aware of who gave me what, ’cause I was just doing my job.”

Graphic Boost for Brown The Democratic-led overhaul bill, passed by the House in mid-December, is now before the Senate committee that handles financial matters. And as with Obama’s health care proposals, Brown’s election gives Senate Republicans the power to filibuster to stop the measure.

There remain several points of disagreement - Republicans say the consumer protection agency isn’t necessary because the government already has offices to protect consumers - but the parties continue to negotiate.

While Obama said he is heeding the message of discontent Massachusetts voters sent by electing Brown, he does not appear to be backing down on the issue of financial regulation. In his State of the Union address, Obama said financial institutions must be prevented from again taking risks “that threaten the whole economy.”

“The House has already passed financial reform . . . and the lobbyists are already trying to kill it,” Obama said. “Well, we cannot let them win this fight. And if that bill ends up on my desk and does not meet the test of real reform, I will send it back.”

The Financial Services Roundtable, one of the industry’s most influential groups in Washington, has been increasingly vocal in opposing the measure. The Roundtable raised \$535,000 in the 2007-2008 election cycle and reported

raising \$242,000 through November 2009. But its chief lobbyist, Scott Talbott, said both donations and activity have picked up more recently.

“We’re seeing increased involvement overall, in terms of both interactions with members of Congress and through increased PAC contributions,” Talbott said.

In the Massachusetts race, Brown received about \$442,000 from Jan. 11 through Jan. 16, while Coakley got \$92,000 from financial industry workers during this period. Those figures are based on interim reports candidates must file to disclose donations of \$1,000 or more within 20 days of an election. A more detailed accounting is not due until later in February.

Nonetheless, the fund-raising stands in marked contrast to last year’s, when Brown had yet to take a spot on the national stage and Coakley enjoyed the fund-raising advantage.

According to the Center for Responsive Politics, Brown collected \$23,700 from employees of securities and investment firms through Dec. 31, while Coakley got \$79,050.

Nearly 80 percent of the money Brown got from financial workers came from outside of Massachusetts, in places with a concentration of financial firms, such as New York City, Greenwich, Conn., Chicago, and San Francisco. In addition to financial giants such as Credit Suisse, Goldman Sachs, and Morgan Stanley, the donors included executives from hedge funds and private equity firms.

Richard Hillman, an analyst for First Wilshire Securities who lives in California, said he was following the Massachusetts election only casually, and decided to give to Brown at the last minute, when a friend told him the race was unexpectedly close. “I ended up giving money through my credit card that afternoon,” said Hillman, who contributed \$2,400 on Jan. 16.

“Basically, I thought making him the 41st Republican vote in the Senate would prevent some really terrible legislation from getting through,” he said.

IndiSoft and Financial Literacy Solutions Partner to Bring Video Solutions to RxOffice Homeowner/Borrower Portal
BusinessWire
February 2, 2010

IndiSoft and Coral Springs, Fla.-based Financial Literacy Solutions (FLS), today announced a strategic partnership to bring Web-based tools to homeowners in

need of foreclosure prevention assistance. Using a series of educational videos, FLS enables consumers to learn about their options to avoid foreclosure, and how to work with nonprofit counseling agencies to assist completing modification packages.

“Video has proven to be a good learning tool, and when it is paired with our automated solution, consumers are able to get real answers much more quickly.” The FLS partnership with IndiSoft combines these educational tools with IndiSoft’s flagship product RxOffice® Homeowner/Borrower portal, which assists housing counselors and consumers in submitting supporting loan modification documents to mortgage companies.

“By adding video to our solution, we have a platform that is more engaging for the consumers to complete a loan application in shorter time,” said Sanjeev Dahiwadkar, president and CEO of IndiSoft. “Video has proven to be a good learning tool, and when it is paired with our automated solution, consumers are able to get real answers much more quickly.”

FLS launched its video management and distribution solution in August 2009, and it has been accessed on the Internet more than 125,000 times since its inception.

Garth Graham, president of FLS, explained, “Consumers learn in different ways, and combining video with other Web-based solutions is a best practice in engaging and teaching consumers about their options. One study shows that 80 percent of people regularly watch online video, and another study shows that 80 percent of adults think they would benefit from more financial education. So, the numbers are pretty compelling. Pairing video with IndiSoft’s solutions provides a highly effective way to communicate financial options and drive consumers through complex processes.”

RxOffice is being used by the HOPE NOW alliance to capture information from at-risk homeowners.

About Financial Literacy Solutions, LLC

Florida-based Financial Literacy Solutions, LLC offers a turn key video management platform, including a series of more than 200 professionally produced financial literacy videos. The Web-based solution can immediately provide clients a complete video solution, which effectively streams educational videos on the clients Web site. This increases search engine placement, provides better customer education and engagement and increases pull through and conversion. Solutions are available for companies engaged in foreclosure prevention, mortgage modification, credit counseling, bankruptcy education, debt

management and other financial services. The solution currently is accessed more than 25,000 times per month. For more information on Financial Literacy Solutions, visit its Web site at www.flsvideo.com.

About IndiSoft, LLC

Columbia, Md.-based IndiSoft LLC develops, licenses and supports a wide range of Web-based software solutions for the financial services industry, including RxOffice Legal, RxOffice Borrower Portal and RxOffice Reporting Portal. IndiSoft continues to lead the innovation in transforming how the default servicing industry communicates and exchanges information. The company is offering its RxOffice® platform (patent pending) to the servicers, counselors and the homeowners with secured communications technology and the infrastructure to enable transparent and real-time communication to speed up the decision and execution of the same. For more information about IndiSoft, visit its Web site at www.indisoft.us.

No Senate deal on consumer financial protection

Jennifer Liberto
CNNMoney.com
February 5, 2010

WASHINGTON (CNNMoney.com) -- The fate of a consumer financial protection agency was thrown in doubt Friday, as the Senate Banking Committee chief said he planned to push a bill forward without Republican support.

Sen. Christopher Dodd, D-Conn., said on Friday that banking committee staff will draw up draft legislation on all regulatory reform to be voted on later this month -- even though, "for now, we have reached an impasse" with the ranking Republican on that committee, Sen. Richard Shelby, R-Ala.

The sticking point is the consumer financial protection agency, which has long been considered the signature piece of the legislation offered by the Obama administration for redoing the regulatory system after the financial collapse.

Shelby said he supports consumer financial protection, but he's concerned about the financial health of companies. He wants the regulator who protects consumers to also consider financial firms' health, to strengthen "both consumer protection and safety and soundness regulation."

"I will not support a bill that enhances one at the expense of the other, however," Shelby said.

Big business and banking industry groups have targeted the consumer agency in particular, making it a priority to defeat. Financial service companies spent at least \$439 million on lobbying in 2009, according to the Center for Responsive Politics. The U.S. Chamber of Commerce spent \$74 million, although they also lobbied on health care issues.

As envisioned by the White House, the consumer financial protection agency would be a stand-alone department that would create and enforce consumer protection rules on products such as mortgages and credit cards.

Specifically, both the White House and Dodd want an independent consumer protection regulator with strong powers to regulate these products, given that existing regulators have been faulted for falling down on the job of protecting consumers during the financial crisis.

Bipartisan support sought: Last December, the House passed, along party-lines, what's considered a strong, stand-alone consumer financial protection agency -- even though certain financial products, such as auto loans, got exempted.

But the consumer financial protection agency always had a tougher path in the Senate. Democrats need Republicans to pass regulatory reform in the Senate, especially since Democrats lost their filibuster-blocking majority.

"I don't want to go to the floor of the United States Senate begging for a 60th vote," Dodd told the Obama administration during a Tuesday hearing. "I'm not going to do that."

Since November, Democrats and Republicans have been working together on key parts of regulatory reform. They've come to agreements in other areas, like a winding down process for giant financial firms now considered too big to fail, according to comments made by senators made during a Thursday hearing.

To win bipartisan support on the consumer protection part, Dodd had signaled weeks ago that he'd be willing to give up on the idea of a stand-alone consumer agency and consider placing a consumer regulator in an existing regulatory agency.

But Dodd would only agree to such a concession if such a consumer regulator could act independently, and get strong and separate powers to make and enforce rules on a range of financial products, such as auto loans, Congressional aides and lobbyists told CNNMoney.

The impasse is over how much independence and power a proposed consumer financial protection regulator would have, aides and lobbyists say.

"When you have a body that identifies abusive practices, it needs its own set of teeth to go out and say stop," said Reid Cramer, director of asset building at the New American Foundation, a left-leaning think tank.

What's next

What's unclear is how the impasse over consumer financial protection will impact the rest of the regulatory reform agenda in the Senate.

Sen. Bob Corker, R-Tenn., for one, said in a statement that he intended to continue working with Democrats through the weekend on the measures that would prevent banks from getting too big to fail.

"While I'm disappointed that Chairman Dodd and Ranking Member Shelby have reached an impasse, it won't alter my efforts toward a bipartisan bill," Corker said.

Republicans on the committee may feel obliged to oppose a final regulatory reform bill, despite months of bipartisan negotiations, if they deem that the consumer financial protection powers could threaten banks' safety and soundness.

"We don't think it's a good idea to separate regulation for the bank itself from the product it sells," said Scott Talbott, chief lobbyist for the Financial Services Roundtable, a banking group.

On Friday, concerns about the consumer financial protection agency ricocheted across Capitol Hill. Rep. Niki Tsongas, D-Mass., sent e-mails to lawmakers asking them to sign a letter urging Dodd to "support a strong, independent Consumer Financial Protection Agency."

The Senate Banking committee is aiming to start amending and voting on a final regulatory reform package starting the week of Feb. 22.

Young adults slow to spot ID theft, survey shows

CreditCards.com

February 10, 2010

By Jeremy Simon

Despite their Web savvy, young adults are slow to spot identity theft online, according to the Javelin Strategy & Research identity fraud survey released Wednesday.

In the annual Identity Fraud Survey Report, now in its seventh year, Javelin found that identity theft involving young adults typically go undetected for longer than fraud targeting older consumers. The survey showed that compared to other age groups, so-called millennials -- consumers age 18 to 24 -- take nearly twice as many days to detect fraud, leaving young adults fraud victims for longer periods.

Identity theft experts say the data highlights an unusual paradox about young adults. "It's sort of counterintuitive. They are online all the time. What they're not online doing is monitoring their credit cards and bank accounts," says Anne Wallace, president of the nonprofit Identity Theft Assistance Corporation (ITAC), which co-sponsored the survey. "That seems to be part of why they're not discovering [ID theft] as fast as other age groups."

Wallace says that although millennials don't tend to be victimized by fraudsters as often as other age groups, they still have ample reason to take the survey's findings to heart.

Invincible? No, vulnerable

While they may be wise about the World Wide Web, experts say that young people still have a lot to learn about the world's wicked ways. That lack of experience keeps them from taking the precautions necessary to frustrate fraudsters.

"I'd speculate that it's a feeling of not being vulnerable -- that they're still relatively innocent about the risks" of identity theft, says Wallace. She adds that millennials may believe that since they don't have a lot of money in the bank they aren't likely to be victimized. "But if somebody withdraws \$100 from your savings account, that can have a devastating impact," she says.

That same group of young people is also most likely to be online. Akamai's State of the Internet report for the third quarter of 2009 shows that people between the ages of 18 and 29 use the Internet the most, with 93 percent of that age group going online. That makes it a group that is comfortable on the Internet -- maybe too comfortable. "Younger people have a bigger comfort zone with regards to personal information, and that leads them to sometimes being unwise about the types of info on their Facebook pages," Wallace says.

ID theft tips for millennials

Rather than waiting the years it takes to develop a more world-wise attitude, millennials can take action to better guard their data:

Adjust your privacy settings. Facebook and other online sites offer privacy settings to restrict who gets to see personal information. Wallace says that young people need to familiarize themselves with these settings and use them to filter their data. She recommends that people ask themselves a key question: "Is this information I want everybody to know -- or only a much smaller group of people?"

Guard your data. Because young people often live in dorms or shared housing, they have to be vigilant about keeping their data (including Social Security and PIN numbers) out of the hands of less-than-trustworthy housemates or acquaintances. "It may seem like an obvious point, but don't give your roommate your PIN number," Wallace says.

Visit your bank's Web site. With banks and credit card issuers offering free account access online, young people have no reason not to surf over to check on their accounts. "When you monitor electronically, you will find the theft faster," says Wallace. "Faster detection translates directly into lower costs and less anxiety."

Protect your gadgets. In many cases, fraudsters are pretty Web-savvy themselves. And while young people may not fall victim to phishing and other more basic online scams, they still need to guard their computers and other gadgets. Installing firewalls and software to protect a computer against spyware and viruses can also help to safeguard personal information.

Experts say it's a constant battle to keep data safe from increasingly sophisticated networks of identity thieves, but it's one that young people need to participate in. "We have to acknowledge and adjust our perception of reality to accommodate that there are people looking to steal from you," Wallace says.

Javelin also found:

The number of U.S. identity fraud victims rose 12 percent to 11.1 million adults last year, the highest level since the survey began in 2003.
The average fraud resolution time dropped 30 percent to 21 hours.
Nearly half of fraud victims now file police reports, resulting in double the reported arrests, triple the prosecutions and double the percentage of convictions in 2009.

Poll methodology

Javelin's poll was conducted via random digit dialing to 5,000 Americans, including 703 identity theft victims. Findings for the identity theft victims are

considered accurate at a 95 percent confidence level, with a 3.7 percent margin of error.

As ID Fraud Ensnarers More Victims, More Fraudsters Get Caught
DigitalTransactionNews
February 10, 2010

The number of identity-fraud victims increased by 12% last year to 11.1 million from 9.9 million in 2008 and was 37% higher than in 2007, and the estimated amount of fraud hit \$54 billion, the highest since 2006. That's according to Javelin Strategy & Research's 2010 Identity Fraud Survey Report. Losses per victim, however, held steady, and more fraudsters are getting caught.

The Pleasanton, Calif.-based research and consulting firm's seventh annual fraud study also found that the number of fraudulently opened credit card accounts increased to involve 39% of all ID-fraud victims last year, up from 33% in 2008.

Javelin based its findings on a telephone survey of 5,000 U.S. adults in November 2009. Identity fraud is the misuse of another person's identifying information and arises out of a commonly confused crime, identity theft, or the act of stealing someone's identifying information. Javelin's study does not measure ID theft.

The number of ID-fraud victims was the highest such number since Javelin started the survey in 2003, as was the percentage of victims among the adult population, 4.81%. Losses rose 12.5% from \$48 billion in 2008 but were still well below the \$60 billion in 2004, the highest the survey ever found. Javelin president and founder James Van Dyke attributes last year's fraud increase to hard times, saying the Gross National Product and fraud levels have an inverse relationship. "We believe at the top level it's an economic condition," Van Dyke tells Digital Transactions News. But he adds that more data breaches added to the total, and that technological evolution, particularly the growth of electronic commerce, makes for new opportunities for fraudsters on the hunt for other people's data. The tendency of many people to put personal data on social-network Web sites also can aid fraudsters, Van Dyke says.

In fact, the spike in new-account fraud, which Van Dyke calls "a very troubling area" in which a fraudster opens an account in another person's name, got a boost in part from the online channel. The number of new online accounts opened fraudulently more than doubled last year, and the number of new e-mail payment accounts, such as PayPal, increased 12%, Javelin says. The survey for the first time asked about new-account fraud through mobile phones and found that 29% of new-account fraud victims reported that new mobile-phone accounts were opened in their names.

Overall, the mean total amount of fraud per victim last year was \$4,841, little changed from 2008's mean of \$4,858. The median fraud amount per victim held steady at \$750. With credit card issuers and banks usually covering all or most of victims' account losses, the mean out-of-pocket victim expense last year was \$373, down from \$498 in 2008. Javelin arrived at those figures by estimating victims' direct financial losses as well as their time lost from work spent fixing ID-fraud problems, and legal expenses. Another bright spot was a decline in the time needed to resolve fraud-related problems, which fell to a mean of 21 hours in 2009 from 30. The median resolution time, however, has remained steady at five hours throughout the survey's history, which means some victims spend very long hours getting their affairs back in order.

While most identity fraudsters get away with their crimes, their chances of escaping justice are decreasing—with consumers getting much of the credit. The number of fraud victims reporting that no legal action was taken in their cases (excluding those who did not know or refused to answer the question), fell from 56% in 2008 to 49% last year. Forty-nine percent of victims filed a police report last year, up from 39% in 2008, and 12% said an arrest was made, up from 6%. Eight percent of victims said their cases resulted in a conviction, double 2008's rate. Five percent said a civil suit was filed in their cases, up from 2% in 2008.

Javelin's survey co-sponsors were Fiserv Inc., Intersections Inc., Wells Fargo & Co., and the Identity Theft Assistance Center (ITAC).

Young adults slow to spot ID theft, survey shows
Fox Business News
February 10, 2010
By Jeremy Simon

Despite their Web savvy, young adults are slow to spot identity theft online, according to the Javelin Strategy & Research identity fraud survey released Wednesday.

In the annual Identity Fraud Survey Report, now in its seventh year, Javelin found that identity theft involving young adults typically go undetected for longer than fraud targeting older consumers. The survey showed that compared to other age groups, so-called millennials -- consumers age 18 to 24 -- take nearly twice as many days to detect fraud, leaving young adults fraud victims for longer periods.

Identity theft experts say the data highlights an unusual paradox about young adults. "It's sort of counterintuitive. They are online all the time. What

they're not online doing is monitoring their credit cards and bank accounts," says Anne Wallace, president of the nonprofit Identity Theft Assistance Corporation (ITAC: undefined, undefined, undefined%), which co-sponsored the survey. "That seems to be part of why they're not discovering [ID theft] as fast as other age groups."

Wallace says that although millennials don't tend to be victimized by fraudsters as often as other age groups, they still have ample reason to take the survey's findings to heart.

Invincible? No, vulnerable

While they may be wise about the World Wide Web, experts say that young people still have a lot to learn about the world's wicked ways. That lack of experience keeps them from taking the precautions necessary to frustrate fraudsters.

"I'd speculate that it's a feeling of not being vulnerable -- that they're still relatively innocent about the risks" of identity theft, says Wallace. She adds that millennials may believe that since they don't have a lot of money in the bank they aren't likely to be victimized. "But if somebody withdraws \$100 from your savings account, that can have a devastating impact," she says.

That same group of young people is also most likely to be online. Akamai's State of the Internet report for the third quarter of 2009 shows that people between the ages of 18 and 29 use the Internet the most, with 93 percent of that age group going online. That makes it a group that is comfortable on the Internet -- maybe too comfortable. "Younger people have a bigger comfort zone with regards to personal information, and that leads them to sometimes being unwise about the types of info on their Facebook pages," Wallace says.

ID theft tips for millennials

Rather than waiting the years it takes to develop a more world-wise attitude, millennials can take action to better guard their data:

Adjust your privacy settings. Facebook and other online sites offer privacy settings to restrict who gets to see personal information. Wallace says that young people need to familiarize themselves with these settings and use them to filter their data. She recommends that people ask themselves a key question: "Is this information I want everybody to know -- or only a much smaller group of people?"

Guard your data. Because young people often live in dorms or shared housing, they have to be vigilant about keeping their data (including Social Security and PIN numbers) out of the hands of less-than-trustworthy housemates or acquaintances. "It may seem like an obvious point, but don't give your roommate your PIN number," Wallace says.

Visit your bank's Web site. With banks and credit card issuers offering free account access online, young people have no reason not to surf over to check on their accounts. "When you monitor electronically, you will find the theft faster," says Wallace. "Faster detection translates directly into lower costs and less anxiety."

Protect your gadgets. In many cases, fraudsters are pretty Web-savvy themselves. And while young people may not fall victim to phishing and other more basic online scams, they still need to guard their computers and other gadgets. Installing firewalls and software to protect a computer against spyware and viruses can also help to safeguard personal information.

Experts say it's a constant battle to keep data safe from increasingly sophisticated networks of identity thieves, but it's one that young people need to participate in. "We have to acknowledge and adjust our perception of reality to accommodate that there are people looking to steal from you," Wallace says.

Javelin also found:

The number of U.S. identity fraud victims rose 12 percent to 11.1 million adults last year, the highest level since the survey began in 2003.
The average fraud resolution time dropped 30 percent to 21 hours.
Nearly half of fraud victims now file police reports, resulting in double the reported arrests, triple the prosecutions and double the percentage of convictions in 2009.

Poll methodology

Javelin's poll was conducted via random digit dialing to 5,000 Americans, including 703 identity theft victims. Findings for the identity theft victims are considered accurate at a 95 percent confidence level, with a 3.7 percent margin of error.

Connecting the dots needed to reduced payment risks

Federal Reserve bank of Atlanta

January 25, 2010

By Rich Oliver

Some say baseball is not only America's Game, but also a metaphor for life in America. As a lifelong fan I have noticed that each year a couple of rookie players explode onto the scene in April, putting up terrific numbers and establishing themselves as the sport's next great icons. Usually by mid-May they have disappeared from the league leader boards as their numbers fall precipitously. Why? Because the league knows very little about the players' strengths and weaknesses in April, but as time wears on, pitchers make adjustments to exploit the rookies' weaknesses. Don Sutton, an announcer for the Atlanta Braves, says that baseball is a game of continuous adjustments. The rookie wunderkinds will only be successful over the long run if they are able to make the adjustments necessary to counter the pitchers' new approach.

In today's payments world, rookie fraudsters are having significant success penetrating corporate payroll and accounting systems using Trojan horse and key-logging software to insert bogus payments into the company's disbursement streams without the company realizing until it is much too late. So called "money mules," hired by the kingpin fraudster, receive the "stolen" funds in new accounts and immediately wire them to faraway places after taking their promised cut. Such schemes have been much discussed in the payments industry press over the past few months.

My wife's sister is the bookkeeper for a small firm, and in that role she is responsible for most of the company's disbursements, including payroll. Over a glass of eggnog or some acceptable substitute, I told her about these schemes and she listened, wide-eyed. We discussed the controls that were in place in the company that could detect and prevent them from becoming a victim, and I began to realize the problem we face as an industry in addressing such new threats. Like the rookie baseball player, we must begin to adopt a mentality of constantly adjusting to the ploys of the fraudsters to ensure our future success. For example, a company could add a new step to their disbursement process that would check payroll totals for reasonableness in terms of numbers and dollars, scan preliminary logs of payees, names or accounts, etc., before pressing the transmit button. The challenge is to figure out how to share threat information broadly enough to reach the point of common sense protection. There can be no remedy if there is no awareness.

A number of organizations are working on education and communications efforts within their industries, but the best protection is always a first-line defense at the point of greatest vulnerability—the corporate originator of payments. While we in banking view the depth and breadth of our industry as daunting, it is trivial compared to the universe of American business, from large mega-corporations

who can invest millions in protection to small entrepreneurs engaged in realizing their lifelong dreams, totally oblivious to the dangers of the brave new world. What, then, can we do to address this seemingly impossible challenge?

The answer would seem to lie in harnessing the amazing technology present in the world today, the same technology being used by the bad guys. Just as nuclear technology can be used to pursue both good and bad objectives, so can e-mail systems, social networking, twittering, and other yet-to-be-discovered advents of the new century. My sense is that the problem lies in discerning how to connect the dots. In other words, how can we as a society create a massive web of "community of interest" associations that allows information to reach the eyes and ears of all (or most) of those who need to hear it?

From my background as a math major, I know that the shortest distance between two points is a straight line (actually, I think you can get this from high school geometry). Noting that every company needs a bank, my sense is that the straight line for this effort runs directly from the central industry sources of fraud knowledge, to the banking community, to a bank's business customer base. Simultaneously, another connection at the top of the chain runs from industry sources to other parties in the regulatory and law enforcement businesses.

Over the past few months, we at the Retail Payments Risk Forum have become aware of and frequently engaged with several organizations who are interested in and trying to enhance the current communications and education process. For example, a new interagency fraud working group, co-chaired by the Department of Justice and the Federal Reserve Board, has been created to share information between bank and nonbank regulators and the law enforcement community. **An effort to construct an educational toolkit for banks to use to report fraudulent activity is being developed under the auspices of BITS.** In an ideal world, we would all work together to harvest the unique capabilities of each of the many efforts under way and try to coordinate them in such a way as to minimize duplication, maximize knowledge, ensure accuracy, and expedite wide distribution of information. In the months ahead, the Forum will be trying to work across many interested parties to see if there is a model for accomplishing this goal that could be deployed to the benefit of all possible victims in the "fraud value chain."

NAIFA, FSR Join P-C Groups To Oppose FTC Authority Proposal

Arthur D. Postal

National Underwriter

February 2, 2010

WASHINGTON BUREAU -- The National Association of Insurance and Financial Advisors and **the Financial Services Roundtable** have teamed with

property-casualty groups to oppose a proposal that could give the Federal Trade Commission authority to prepare reports on the entire insurance industry. The proposed bill also could end the antitrust exemption afforded health insurers and medical malpractice insurers by the McCarran-Ferguson Act.

House leaders expect to take up the FTC authority bill next week.

Lawmakers have been trying for months to get antitrust repeal provisions into the major congressional health reform bills.

Health insurers have argued that the antitrust exemption repeal provisions would have little effect on mergers, acquisitions or pricing decisions in their industry, because state regulators already keep a close eye on competition in the health insurance industry.

But health insurers and p-c insurers have argued that a poorly written exemption repeal bill could interfere with their ability to engage in activities such as compilation of historic loss data.

Medical liability insurance, in particular, is not a health insurance product, but is in fact “a property/casualty insurance liability product, underwritten by property/casualty companies for medical professionals and facilities,” according to the members of the coalition that sent the letter, including NAIFA, Falls Church, Va., and the FSR, Washington. “The only thing even health-related about medical malpractice insurance is simply its name and the fact that the medical profession and medical facilities purchase it. Its inclusion in legislation to repeal McCarran-Ferguson for health insurance is misplaced.”

Medical malpractice antitrust repeal could reduce competition, by hurting smaller companies’ access to the information they need to underwrite their products, the coalition writes.

“Some members of Congress have a mistaken perception that the antitrust provisions of the McCarran-Ferguson Act protect anticompetitive activities by medical liability insurers,” the coalition writes. “They do not.”

The National Association of Insurance Commissioners, Kansas City, Mo., has stated that “no state insurance regulator has seen evidence that suggests medical malpractice insurers have engaged or are engaging in price fixing, big rigging, or market allocation,” the coalition writes.

A Twist in Wall St. Reform Talks

The New York Times Dealbook February 2, 2010

Update | 9:46 a.m. A spokeswoman for Senator Christopher Dodd denied a report by dealReporter that the senator plans to quietly modify or drop the so-called “Volcker rule” pushing for the separation of proprietary trading from commercial lending. The senator stands by the proposal, the spokeswoman told DealBook.

President Obama’s proposals to tax and curb the activities of Wall Street have thrown an unpredictable element into the debate over financial regulatory reform. They also have touched off an intensive new round of lobbying and raised questions in Congress over whether his plan will add urgency or merely bog things down, The New York Times’s Sewell Chan and David D. Kirkpatrick write.

For two months, four pairs of Senate Banking Committee members — each with one Democrat and one Republican — have been meeting behind closed doors to reach a bipartisan compromise on regulatory reform. The House already adopted its version, largely along partisan lines, in December.

The new White House approach has already prompted the Senate panel, led by Senator Christopher J. Dodd, Democrat of Connecticut, to interrupt those negotiations. On Tuesday, in the first of several hearings on Mr. Obama’s proposals, the committee will hear from Paul A. Volcker, a former Federal Reserve chairman, and the deputy Treasury secretary, Neal S. Wolin.

Republicans on the committee said Mr. Obama’s call for a bank tax was a political response to the unexpected loss of a Massachusetts Senate seat. And Democrats, although more positive about the president’s remarks, were slow to embrace the specifics, like the tax, of his proposals.

“There is no question that this was presented to stoke and jump in front of a lot of populist furor,” said Senator Bob Corker, a Tennessee Republican who is working with Senator Mark Warner, a Virginia Democrat, on the problem of securities firms being so big and interconnected that their collapse could bring down the financial system.

“I think everybody watching understands that this was a political undertaking and not necessarily a substance undertaking,” he said. “This is a soak-the-rich populist grab.”

Senator Judd Gregg, a New Hampshire Republican who is working with Senator Jack Reed, Democrat of Rhode Island, on regulation of derivatives and credit rating agencies, offered a similar assessment of the president’s intervention.

“I think it’s confused the issue considerably, because he’s basically fanned the fires of populism and in a lot of instances, populism doesn’t give you either good regulatory activity or strong markets,” Mr. Gregg said. “It undermines both, in many instances.”

Senator Jon Tester, Democrat of Montana, disagreed. “The president’s remarks — I don’t see them as threatening, I don’t see them as negative, I see them as more ideas added to the pot that we need to consider,” he said in an interview. “I don’t see them hampering this process one iota.”

But industry representatives and Democratic Congressional aides say the president’s new proposals have already provoked a sharp increase in the volume and energy of the lobbying on regulatory reform, with more chief executives stepping over their government relations staff to request personal meetings with lawmakers. The big banks, the lobbyists say, have become increasingly alarmed that the legislative process may move in unexpected directions outside their control.

Chief executives of big banks have been in Washington for meetings with White House and Treasury officials and lawmakers on Capitol Hill. **Jamie Dimon, chief executive of JPMorgan Chase**, had lunch with Mr. Obama last Tuesday, and then met separately on Friday with the Federal Reserve chairman, Ben S. Bernanke, and the Treasury secretary, Timothy F. Geithner.

And industry lobbyists and chief executives have been lining up outside the doors of senators.

“Those eight senators hold the keys,” said Scott E. Talbott, a lobbyist for Financial Service Roundtable, which represents big banks.

Beyond the Warner-Corker and Reed-Gregg pairings, Senators Charles E. Schumer, Democrat of New York, and Michael D. Crapo, Republican of Idaho, are leading negotiations on overhauling corporate governance and executive compensation.

The final pairing — Mr. Dodd and Senator Richard C. Shelby of Alabama, the senior Republican on the banking committee — is taking up the issue of whether to create a consumer financial protection agency to oversee credit cards, mortgages, debt collection and other financial activities.

The White House proposed such an agency last June, and a modified version was part of the House reform bill passed in December. Industry groups, like the American Bankers Association, have strongly opposed it.

“The further away we get from the near collapse of our financial system in the fall of 2008, the harder it is to convince members of Congress to take a tough vote,” said Travis B. Plunkett, legislative director for the Consumer Federation of America, which has made the consumer agency a centerpiece of its lobbying.

Neither Mr. Dodd nor Mr. Shelby would comment on the status of their talks.

However, Mr. Shelby told dealReporter that he opposes the so-called Volcker rule and the Obama administration’s call to levy a tax on banks.

Mr. Shelby told the publication that if Democrats push forward with the proposals they risk unraveling much of the bipartisan support already reached regarding the passage of financial regulatory reform in the Senate.

Ever since his initial reform proposal met with a frosty reception in the banking committee last fall, Mr. Dodd has insisted that regulatory reform would require bipartisan support. The Massachusetts Senate outcome, which denies Democrats the 60-vote majority they need to overcome a Republican filibuster, has underscored that point.

Supporters of the president, however, said his intervention could help goad lawmakers to pass tough legislation, arguing that the widespread anger at Wall Street would make it awkward for legislators to stand in the way of a bill labeled reform.

At a meeting with Mr. Dodd last month, Mr. Obama endorsed the need for consumer protections. But he did not specifically mention the idea of a separate agency, and Senate Republicans have said they are against it.

Mr. Obama’s newest proposals — to ban banks with federally insured deposits from casting risky bets in the markets and to turn back the consolidation in the financial industry — have arguably made Mr. Dodd’s job harder.

A Dodd staffer told dealReporter that the senator is likely to quietly drop or modify many of the recommendations in the Volcker rule to ensure Republican support for regulatory reform.

“Chris is retiring so he wants to end his career with an important regulatory reform bill and he wants to make the bill bipartisan,” the staffer told the publication. “He is not going to risk bipartisan support to make the White House happy.”

Senator Warner said he hoped the negotiations would stay on track. “I think this is too important to allow to become a partisan fight, and I’m still hopeful that we will see a bipartisan solution,” he said. But when asked to offer a timetable, he chuckled, saying only, “Hopefully sooner, rather than later.”

Identity Theft on the Rise: Survey

GigaOM

February 10, 2010

By Matthew Ingram

Identity theft has become so commonplace that the odds are pretty high that you’ve been a victim or you know someone who has. Those odds continue to increase, according to a survey released today by Javelin Strategy & Research. It found that the number of identity fraud cases rose by 12 percent in the U.S. last year, to 11.1 million. And the amount of money potentially affected by these frauds, Javelin says, grew by 12.5 percent, to \$54 billion. On the bright side, however, Javelin’s survey also showed that more consumers are taking action when identity fraud occurs (i.e., filing police reports) and are also doing more to protect their data in the first place.

Javelin’s research also showed that there have been other improvements over previous years, including: The average time it takes to resolve a fraud dropped last year by 30 percent, to 21 hours; the number of reported arrests in fraud cases doubled; the number of prosecutions of fraud tripled and the number of successful convictions also doubled. The Javelin survey is in its seventh year, and is co-sponsored by Fiserv, Intersections, Wells Fargo & Co. and ITAC, the Identity Theft Assistance Center.

Javelin says that the survey is the nation’s longest-running study of identity fraud, with more than 29,000 U.S. respondents over the past seven years. Last year, the company did telephone interviews with 5,000 U.S. adults to identify and track the methods that fraudsters used, the impact of fraud on Americans and how these findings can help consumers most effectively avoid becoming victims of fraud. James Van Dyke, president and founder of Javelin, said in a statement:

The good news is consumers are getting more aggressive in monitoring, detecting and preventing fraud with the help of technology and partnerships with financial institutions, government agencies and resolution services.

Among the survey's other key findings:

Identity fraud that resulted from criminals opening new accounts with stolen information increased in 2009. The number of fraudulent new credit card accounts increased to 39 percent of all identity fraud victims, up from 33 percent in 2008. New online accounts opened fraudulently more than doubled over the previous year, and the number of new email payment accounts increased 12 percent. This year for the first time, the survey asked about new mobile phone account fraud and 29 percent of new accounts fraud victims reported new mobile phone accounts were fraudulently opened.

Identification most likely to be compromised in a data breach continues to be full name (63 percent) and physical address (37 percent). With a year-over-year increase of 4 percent, health insurance information is increasingly targeted. The percentage of Social Security numbers compromised decreased to 32 percent from 38 percent in 2008.

75 percent of existing card fraud incidents came from credit cards, an increase of 12 percent over 2008. In contrast, existing debit card fraud incidents decreased 2 percent and represented 33 percent of total existing card fraud in 2009.

Millennials (consumers aged 18-24 years old) take nearly twice as many days to detect fraud, compared to other age groups, and thus are fraud victims for longer periods of time. Millennials were found to be the less likely to monitor accounts regularly and the least likely group to take advantage of monitoring programs offered by financial institutions. However, Millennials were the most likely group to take action such as switching primary banks or switching forms of payment

New Javelin Study: ID Fraud Hits Record Highs

Govinfosecurity.com

February, 10 2010

By Linda McGlasson

The number of identity fraud victims increased 12 percent to 11.1 million people in 2009 -- the second consecutive annual increase. At the same time, the total amount of fraud also increased by 12.5 percent to \$54 billion.

These are the headlines of the newly-released 2010 Identity Fraud Study by Javelin Strategy & Research.

"As the economy gets more challenging and more and more people are out of work, there is more identity fraud," says James Van Dyke, president and founder of Javelin. "[Fraud] is at the highest rate since Javelin began this report in 2003."

The good news, Van Dyke says, is "Consumers are getting more aggressive in monitoring, detecting and preventing fraud with the help of technology and partnerships with financial institutions, government agencies and resolution services."

Fighting Back

Van Dyke says other findings in the report reinforce the trend that fraudsters are becoming increasingly technology-savvy and are using personal information stolen in data breaches to open new accounts or to make changes to existing non-card accounts.

Organizations are fighting back by eliminating the use of Social Security numbers in account information, as well as more proactively monitoring and notifying customers of possible fraudulent activity. Consumers also are monitoring their accounts more frequently, using technologies such as the internet and mobile alerts.

Despite the number of victims going up, the average amount taken in each fraud incident has gone down, as has the average amount of time it takes for the fraud to be resolved.

"The industry is stepping up more and more to take care of these victims, but more needs to be done," Van Dyke says. "Yes, they are stepping up to the plate -- the fraud mitigation efforts are better; fraud filters, neural nets, and detection capabilities are better than ever."

Going forward, he says, consumers need more tools to help them be safer. "The right tools and better, simple education of consumers will go along way to help prevent identity fraud. Remember, these are all crimes of impersonation."

Key Findings

Among other top findings in the new study:

Increase in New Account Fraud

The number of fraudulent new credit card accounts increased to 39 percent of all identity fraud victims, up from 33 percent in 2008. New online accounts opened fraudulently more than doubled over the previous year, and the number of new email payment accounts increased 12 percent. This year for the first time, Van Dyke says, the study asked about mobile phone account fraud, and 29 percent of victims reported new mobile phone accounts were fraudulently opened.

Consumer Costs, Resolution Hours Drop

In 2009, there was a drop in fraud costs per victim and a decrease in time to resolution. VanDyke credits these trends to increased consumer awareness, assistance provided by financial institutions, consumer support organizations and law enforcement.

Personal Information is Hot

Identification most likely to be compromised in a data breach continues to be full name (63 percent) and physical address (37 percent). With a year-over-year increase of 4 percent, health insurance information is increasingly targeted. The percentage of Social Security numbers compromised decreased to 32 percent from 38 percent in 2008.

Fraudsters Target Existing Cards

75 percent of existing card fraud incidents came from credit cards, an increase of 12 percent over 2008. In contrast, existing debit card fraud incidents decreased 2 percent and represented 33 percent of total existing card fraud in 2009.

The annual survey is the largest of its kind and is modeled after the Federal Trade Commission's study. This comprehensive identity fraud survey report is independently produced by Javelin and is sponsored by Fiserv, Intersections Inc., Wells Fargo, and Identity Theft Assistance Center (ITAC). The survey is the nation's longest-running study of identity fraud, with more than 29,000 U.S. respondents over the past seven years.

Identity fraud on the rise -- up 12% to 11.1 million adults affected in 2009

Los Angeles Times

February 10, 2010

By Tiffany Hsu

The number of identity fraud victims soared 12% last year, but they are striking back faster and more thoroughly, according to a report released Wednesday.

The economic downturn may have sparked the increase, according to Javelin Strategy & Research, which concluded that victims lost \$54 billion, a 12.5% swell. The number of consumers hit by fraud jumped for the second year in a row, to 11.1 million adults, the highest level since the survey was launched in 2003.

The defrauders, many working out of Eastern European crime rings, are using ever more sophisticated methods. But criminals are still targeting wallets, checkbooks, credit cards and other physical identification carriers twice as often as they use computer viruses, phishing scams or other digital tricks.

The information is then used by 42% of thieves for in-person or online purchases, and 21% use the data to shop over the phone or through mail. Some obtain healthcare or buy prepaid cards with the stolen names, birthdates or Social Security numbers; 10% withdraw cash from ATMs or write checks.

Last year, the number of new credit card accounts that were opened fraudulently shot up 39%, while new online accounts more than doubled and new e-mail payment accounts boomed 12%. Nearly 3 in 10 victims said their data had been used to open cell phone accounts.

And at least 13% of all identity crimes from 2009 were committed by someone whom the target had known.

But victims are now much more vigilant in detecting and dealing with fraud -- the average resolution time declined 30% to 21 hours last year. Out-of-pocket costs for fraud targets averaged \$373, but those unreimbursed losses, legal fees and time taken off work also dropped.

Nearly half of new victims now file police reports, doubling the number of reported arrests, tripling the prosecutions and doubling the percentage of convictions.

Still, most fraud continues to go undiscovered, according to the report, co-sponsored by Fiserv, Intersections Inc., Wells Fargo and Identity Theft Assistance Center. The survey was conducted through telephone calls to more than 5,000 U.S. consumers in November, including 703 fraud victims.

Of those, some demographics are more vulnerable. Small-business owners, for example, often use personal accounts to run their companies and are constantly making transactions, making them one-and-a-half times more likely than other adults to experience fraud.

Consumers ages 18 to 24, who often share computers and use them in public settings, tend to be slower in noticing identity thievery.

Analysts: Private Capital Unlikely to Fill In For GSEs Soon
Imarketnews.com
February 3, 2010

WASHINGTON (MNI) - The government is currently maximizing options for Fannie Mae and Freddie Mac post conservatorship, the Federal Housing Finance Agency said Tuesday, but it has yet to work out its long-term strategy for

reforming the two mortgage giants, which for now will be kept in their current form.

Meanwhile, analysts say the private sector is unlikely to step into the mortgage market to provide alternative sources of funding until there are clear signs housing is stabilizing.

In that regard, the private sector's reaction to the termination of the Federal Reserve's purchases of mortgage-backed securities will be a first test, and here, the Federal Housing Finance Agency expressed confidence Tuesday the private sector will in fact pick up the slack.

Analysts also said that in designing a strategy for the two GSEs, the government could take some clues from the Federal Housing Administration.

Asked whether the Treasury Department views the FHA as a successful model, a spokesman declined to comment.

For Financial Services Roundtable Vice President of Government Affairs, Housing Policy Council Paul Leonard, there are definitely some features that could be used from the FHA that could help guide a new structure of the GSEs, although, "It wouldn't be wise to just make them a government agency."

One possibility would be for them to issue one variety of MBS through a Ginnie Mae-like facility, he said, "so that there would be a single MBS."

Private sector companies could create those MBS, but they would have to meet specific standards "and then be issued through this single facility."

Another way to learn from the FHA is to "make sure that your product is available for middle-income borrowers," meaning a product serving the need of a "great number of people," Leonard said.

It should be clarified how the FHA would issue regulations on the types of mortgages that would be "acceptable for these MBS," he added.

"I think that would give more confidence in the market."

For FTN Financial analyst Jim Vogel, "We are still learning on where the FHA-style model, I think, fits into what can be accomplished with more generous credit underwriting standards."

In an August paper, Goldman Sachs analysts had said that a nationalization of the two entities -- total or partial -- "could mean combining the GSEs and folding them into an expanded FHA."

They added, "This option is likely to be part of any permanent reform proposal; the question is how much of the GSEs will become an explicit part of the government."

"If we're going to have a system where the government purposely creates different kinds of subsidies to enable different kinds of home buyers to afford home ownership, it probably needs to be done more in a FHA and Ginnie Mae kind of a construct, where it's not private," said Jeff Lewis, Chairman of Generation Mortgage, a reverse mortgage lender.

"This way they would clearly be public," he concluded.

Whatever option the government chooses, a key consideration is the willingness and ability of private capital to step into the mortgage market to offer alternative sources of funding.

This is especially true since the Federal Housing Finance Agency

for a reform of the two entities that could involve privatization, at least partially.

In a letter to Congress on the status of the conservatorship, Acting Director Edward DeMarco said, "In my view, maintaining and, where needed, strengthening these important private sector disciplines associated with each Enterprise's corporate infrastructure promotes the goals of the conservatorships and maximizes the government's options in a post-conservatorship world, including the opportunity to gain some return for taxpayers in a resolution of these companies."

And in detailing the status of the retained Fannie Mae and Freddie Mac's portfolios of mortgage-backed securities, he expressed confidence the private sector will actually step in as the Federal Reserve ends its asset purchase program.

"I also expect that other private parties will begin to invest in new Enterprise mortgage-backed securities as the Federal Reserve gradually withdraws its purchase activity," he told lawmakers, adding that he instructed the two mortgage giants to "develop a detailed plan for how" they will manage their retained portfolios within the limits imposed their regulator.

By the end of the year, each company's retained portfolio should be under \$810 billion.

While seeking to maximize the alternatives for reform, the FHFA made clear that in the short term, the only option is the status quo.

"There are a variety of options available for post-conservatorship outcomes, but the only one that FHFA may implement today under existing law is to reconstitute the two companies under their current charters," the letter reads.

As far as the private sector's involvement is concerned, analysts, including Standard & Poor's, do not expect the private sector to provide enough sources of funding to replace Fannie Mae and Freddie Mac anytime soon.

Financial Services Roundtable's Leonard said while Fannie Mae and Freddie Mac would have to remain in their current form under the direction of the government, "as the housing market starts to stabilize we think that the debate should focus on whether you can transition to a series of potentially private companies" that would put together mortgages and issue them through this single facility.

Once there is more confidence that the housing market has stabilized and once "it's clear that there will be clear standards for these mortgages, I think you would start to see interest in private capital returning, maybe creating these types of mortgage-issuing companies."

We would need a transition to the new companies over "several years," he added.

US Budget Offers No Hint on GSE Reform;Pondering Accounting Market News International February 1, 2010

The Obama administration's fiscal 2011 budget released Monday did not offer even a vague idea of what could become of mortgage giants Fannie Mae and Freddie Mac when -- and if -- they emerge from conservatorship, unlike several analysts had expected.

The budget offers the prospect of continuing status quo, at least in the short term, regarding both the accounting of the two entities' transactions and their future reorganization.

The two government-sponsored enterprises continue to be regarded as off-budget and so excluded from the formal White House Budget proposals, while the Congressional Budget Office has included them in the federal budget.

"A further review of which approach better fits both legal considerations and goals of budgetary accounting is ongoing," the Office of Management and Budget report said Monday.

On the future of the GSEs, the 461-page Analytical Perspectives of the FY'11 Budget dedicated a total of 32 words:

"The Administration continues to monitor the situation of the GSEs closely and will continue to provide updates on considerations for longer term reform of Fannie Mae and Freddie Mac as appropriate."

This sends the signal the administration keeps pushing back the reform when several analysts had expected at least some guidance.

"We are disappointed. We believe the GSE issue needs to be addressed this year," Financial Services Roundtable Senior Vice President of Government Affairs Scott Talbott told Market News International.

"We believe the uncertainty around the future of GSEs is having a drag on the housing market," he added.

FTN Financial analyst Jim Vogel summarized the content of the report regarding the reform of Fannie Mae and Freddie Mac in one word: "Nada."

"The administration had earlier indicated reforms would be proposed in the FY'11 budget," he commented, adding, "Despite the fact Treasury had backed away from that position in several public comments, it had not fully retracted them."

A Treasury spokesman did not answer a request for comment.

Vogel was not the only one to expect some guidance on the GSE reform.

In a January 21 report, Standard & Poor's analysts said, "We intend to review their performance periodically, and evaluate the possible effects on our ratings when the government announces its plans for how and when the GSEs will emerge from conservatorship."

"We think it's possible that Washington may put forward a plan as early as next month as part of the budget process," they added.

Even Goldman Sachs, with its reputed connections with Treasury, in a report written in August, said the government was "likely to propose (possibilities of reform) in more detail next February."

In the note, Goldman Sachs mentioned three possible outcomes: a partial or total nationalization of the GSEs, their privatization or the creation of a "utility-model" or another hybrid approach, options that had been suggested by the Treasury Department.

Earlier Monday, the White House's new budget estimated that the fiscal 2010 deficit will reach \$1.556 trillion before declining to \$1.267 trillion in 2011 and \$828 billion in FY'12.

GSE mortgage-backed securities purchases, which total \$190.6 billion in 2009, are expected to be \$29.9 billion this year.

As of December 31, 2009, Treasury had made payments of \$110.6 billion under the Senior Preferred Stock Purchase Agreements, and received \$6.8 billion in dividends.

Meanwhile, on Capitol Hill, Rep. Barney Frank, chairman of the Financial Services Committee, has said on several recent occasions he hopes to tackle the question of the GSEs' future in this legislative year.

Guard Your Health Insurance Card
New York Times
February 11, 2010
By Jennifer Saranow Schultz

You may want to make sure you know where your health insurance card is.

According to a new study, the 2010 Identity Fraud Survey Report, from the research company Javelin Strategy & Research, 7 percent of identity fraud victims this year reported identity thieves stole their health insurance information, up from just 3 percent last year.

So even though the actual total dollar amount of health care identity fraud didn't increase meaningfully from 2008 to 2009, James Van Dyke, the president and founder of Javelin, said he expected to see more incidences of health insurance identity fraud showing up in next year's study and beyond. "We're seeing more criminal access to private medical records in our survey now, and therefore, we

expect to see resulting increases in health care fraud in future years' studies," Mr. Van Dyke said.

Such health insurance identity theft occurs when someone impersonates someone else at a hospital or doctor's office — using a stolen health insurance card or account number or even just personal information like a Social Security number or driver's license — to get health care coverage for surgery or other treatment. People often learn they are victims of such fraud when they get a medical bill or a notice about what will be covered from their health insurance company.

The rise of this relatively new area of identity fraud (this year is the first Javelin has tracked annual shifts in such fraud) is mainly because of two factors, Mr. Van Dyke said: medical providers' putting more records in more easily accessible electronic form, thanks to federal incentives to do so; and the large numbers of people unable to get health care coverage.

"Health care providers haven't really focused as much on protecting the health care records, and with the incentives that are available for making these records electronic, we have a recipe for a growing problem," he said. Plus, medical providers often will trust that patients without an insurance card are who they say they are if they have other proof, like a driver's license, he said.

Such fraud is part of a broader rise in identity fraud — which Javelin defines as the unauthorized use of another person's personal information for illicit financial gain — in the wake of the global economic downturn and high unemployment rates.

The study, which is based on a telephone survey in November and is co-sponsored by some financial services companies, estimated that the number of identity fraud victims in the United States increased by 12 percent, to 11.1 million adults in 2009, while the total annual fraud amount increased by 12.5 percent, to \$54 billion.

Still, the average fraud resolution time dropped 30 percent, to 21 hours, partly because of increased consumer education and assistance from financial institutions, among other factors.

But according to Javelin, health insurance-related identity fraud is particularly troublesome because of the relative costs. The average identity fraud victim pays \$373, while a health insurance fraud victim pays \$2,228, and a health insurance fraud typically is about \$12,100 in total, compared with \$4,841 for an average identity fraud case.

In addition, because it's a relatively new type of fraud, the health care industry doesn't have processes and formulas in place for resolving such fraud quickly.

If you find yourself the victim of such fraud, Anne Wallace, president of the Identity Theft Assistance Center, a nonprofit group supported by the financial industry, recommended filing a police report and contacting the medical provider and your insurance company in writing, detailing how you were billed for services that weren't for you and including a copy of the police report.

Resolution “does tend to happen, but it can take a lot longer than it does in other cases because it's a relatively new phenomenon,” she said. Mr. Van Dyke, of Javelin, said he had encouraged the financial industry to help health care providers learn how to deal with such fraud.

Have you ever been a victim of health insurance-related fraud, and if so, how was the resolution process? If not, are you worried about such fraud and what tips do you have for not becoming a victim?

Bernanke's bruising battle in Senate may hurt Fed Omaha World-Herald February 1, 2010

Ben Bernanke survived a Senate battle, bruised. The question is whether the Federal Reserve was scarred, too.

The anti-bailout anger that eroded Bernanke's support in the Senate on Thursday produced the most “no” votes ever on the confirmation of a Fed chairman. That could have lasting impact on the Fed's ability to manage the economy without regard to the political winds.

To shore up his support, Bernanke made the rounds on Capitol Hill, meeting privately with senators in the days leading to Thursday's 70-30 confirmation vote.

Bernanke was in the awkward position of having to lobby for his own job and defend the Fed against efforts to strip it of some of its regulatory authority.

Those meetings alone raise at least the perception of a Fed co-dependency with Congress. What, if any, assurances did Bernanke give lawmakers about interest rates and other Fed policies?

“We don't know what Bernanke agreed to do in those meetings, what he promised,” said Allan Meltzer, a professor at Carnegie-Mellon University and author of a history of the central bank. “The Fed's job is to be independent, and the Fed isn't doing that.”

The Fed often must make decisions, such as raising interest rates to keep inflation in check, that are unpopular with individuals and companies.

Its role in bailing out Wall Street banks to prevent a broader crisis angered the public, too. That's why economists say the Fed's political independence is essential to its mission.

Its interest-rate policy can have huge consequences, affecting everything from large companies, to a homebuyer's ability to get an affordable loan, to the price of cereal. Any influence from the political arena risks compromising the Fed's credibility.

Keeping rates too low for too long could unleash inflation and trigger another speculative bubble like the one in housing that plunged the country into a recession in the first place.

Senate opposition to Bernanke intensified after Republican Scott Brown's upset victory in the Senate race in Massachusetts. Brown's election jolted congressional Democrats and led some to reconsider their support for Bernanke. The Fed chairman's critics cast him as a symbol of the Wall Street bailouts.

“This is a perfect example where the world of politics collides with the world of economics, and the result is not good,” said Kenneth Thomas, a lecturer in finance at the University of Pennsylvania's Wharton School.

If the Fed were to lose credibility on Wall Street and from investors around the globe, it would fan inflation pressures and send up interest rates, choking the U.S. economic rebound.

Bank industry lobbyists say Congress' increased scrutiny could lead the Fed to weigh the political consequences of its regulatory actions.

“They will be more aware of the political forces,” said Scott Talbott, chief lobbyist for the Financial Services Roundtable, a trade group whose members include the largest banks.

Bernanke's confirmation comes as Congress is writing an overhaul of financial regulations aimed at avoiding another financial crisis.

Even Bernanke's supporters worry about the long-term consequences of his nomination fight.

It sends “the message that the Federal Reserve and its monetary policy decisions are under the thumb of Congress,” said Sen. Chuck Schumer, D-N.Y., who voted for Bernanke.

Recovery trumps proposed tax on carried interest, lobbyists say

Pensions & Investments

Doug Halonen

February 9, 2010

A proposal by President Barack Obama to tax the carried interest of hedge funds and other investment partnerships as ordinary income appears to be dead on arrival — at least this year — because key lawmakers fear the change would undermine the nation's economic recovery, financial industry lobbyists said.

“There are members of the Senate Finance Committee who are concerned about raising taxes on investment at a time when it's unclear how strong this economic recovery really is,” said one private equity industry source, who asked not to be identified.

“The markets need capital from all sources, and the proposed increase in tax rates will have a chilling effect and prevent capital from coming off the sidelines,” added Scott Talbott, senior vice president of government affairs for the Financial Services Roundtable, Washington.

The tax, included in President Obama's proposed budget for fiscal 2011, has been opposed by many alternatives managers because it would treat carried interest as ordinary income for tax purposes instead of as capital gains, as it currently is considered. Ordinary income is taxed at a rate of up to 35%, while capital gains are subject to a 15% levy.

The carried interest legislation has had the support of key leaders in the House, including House Ways and Means Committee Chairman Charles Rangel, D-N.Y., and House Financial Services Committee Chairman Barney Frank, D-Mass.

“This is a basic issue of fairness,” said Rep. Sander Levin, D-Mich., in an April 3, 2009, statement announcing the introduction of the legislation. “Fund managers are receiving compensation for managing their investors' money. They should not pay the 15% capital gains rate on their compensation when millions of other hard-

working Americans, many of whose income is performance-based, pay ordinary rates of up to 35%.”

Mr. Obama also proposed to jack up the taxes on carried interest in his federal budget for fiscal 2010. In addition, the House of Representatives has approved legislation that would tax carried interest as ordinary income three times since Nov. 9, 2007. The most recent version of the legislation was approved by the House in December as part of a larger tax measure.

But the legislation has been blocked over the years in the Senate by Sen. Max Baucus, D-Mont., and Sen. Charles Grassley, R-Iowa, chairman and ranking Republican member of the Senate Finance Committee, respectively, according to financial industry lobbyists. The lobbyists said the lawmakers are concerned taxing alternative investment managers now could hurt the economic recovery.

At press time, Erin Shields, a spokeswoman for Mr. Baucus, had not returned telephone calls. But Jill Gerber, a spokeswoman for Mr. Grassley, said the Iowa Republican “feels that it's a complicated area and that it's important to get the right answer to crack down on abuses but not harm legitimate business structures.”

Still, even some financial industry executives said taxing carried interest as ordinary income may be approved eventually.

Still alive

“We don't think it (the proposed legislation) is necessarily dead in the water,” said Emily Mendell, spokeswoman for the National Venture Capital Association, Arlington, Va. “This issue is going to continue to come up as Congress looks for ways to pay for programs.”

In the meantime, Ms. Mendell said venture capitalists will continue arguing for separate tax treatment from other forms of investment partnerships on the grounds that venture capitalists create jobs.

“Our position remains the same as it was last year, which is that at a time when Congress and the administration are looking to create jobs, they should not be raising the taxes of the job creators,” Ms. Mendell said. “That's the case we'll make and that's the case we feel confident making.”

Steve Hinkson, a spokesman for the hedge fund industry's Managed Funds Association, Washington, declined to comment.

The president's 2011 budget also included a slightly retooled version of a 2010 proposal calling for the creation of an automatic workplace Individual Retirement Account program.

Under the concept, most employers that don't currently offer a retirement plan to their workers would be required to automatically enroll employees in a new IRA plan, with the employees having the option of dropping out.

A new wrinkle in this year's version would change the default to an after-tax Roth IRA contribution from a traditional tax-deferred IRA, with employees having the option to switch to a traditional IRA.

That change, according to pension lobbyists, is intended to ease concerns of some lawmakers that the automatic IRA program would contribute to the nation's soaring budget deficit because Roth contributions are paid with after-tax dollars.

“In a deficit environment, you want to save every penny you can,” said Jason Hammersla, spokesman for the American Benefits Council, Washington. “I think it will make it (the automatic IRA proposal) easier to digest.”

A proposal to encourage smaller employers to offer retirement plans by doubling the annual \$1,000 tax credit to companies for the costs of starting and administering a plan also is part of Mr. Obama's budget.

The Securities and Exchange Commission also is in line to get \$1.258 billion for fiscal 2011, a 12% increase from fiscal 2010.

In an outline of its budget plan for Congress, the SEC said it intended to use some of the additional money to beef up its examinations of money managers.

“Currently, OCIE (the SEC's Office of Compliance Inspections and Examinations) is able to inspect approximately 10% of all registered investment advisers each year,” the SEC said in the report on its budget to Congress. “To better protect investors, to provide them with the oversight that is expected, this percentage must be dramatically increased,” the SEC report said.

EBSA budget rises

Under the president's proposal, the budget of the Department of Labor's Employee Benefits Security Administration would be \$162 million in fiscal 2011, up 4.5% from fiscal 2010.

The additional funding would allow the EBSA to hire more benefits advisers and research staff “to address the growing number of calls from the public and a

significantly greater demand for regulatory guidance, outreach, education and assistance on employer-provided health and retirement benefits,” according to a Labor Department statement.

The president also proposed \$261 million for the Commodity Futures Trading Commission in 2011, up 54.6% from 2010. “The increases requested are critical to providing the CFTC with the resources required to ensure that the nation's futures markets operate without disruption,” CFTC said in a statement to Congress.

**Keep Antitrust Exemption, Insurer Groups’ Urge House
National Underwriter
February 2, 2010
By Arthur Postal**

WASHINGTON—Insurance trade groups are asking the House to reject proposed legislation that would end the antitrust exemption afforded health and medical malpractice insurers by the McCarran-Ferguson Act.

A group of 10 trade groups, nine representing property and casualty and medical liability insurers and the National Association of Insurance and Financial Advisers, sent the letter Friday in anticipation that the House will soon vote on the legislation.

The bill would also give the Federal Trade Commission the authority to prepare studies and reports on the entire insurance industry.

According to industry officials and congressional staff, the legislation will not include language protecting joint industry activities, for example, compilation of historic loss data.

The letter noted that medical liability insurance is not a health insurance product, but is in fact “a property/casualty insurance liability product, underwritten by property/casualty companies for medical professionals and facilities.”

In fact, the letter said, “the only thing even health-related about medical malpractice insurance is simply its name and the fact that the medical profession and medical facilities purchase it.”

Moreover, the letter said, “Its inclusion in legislation to repeal McCarran-Ferguson for health insurance is misplaced.”

It also cited a recent Congressional Research Service study that repealing the antitrust exemption afforded medical liability insurers could result in “many lawsuits challenging some insurer-cooperation practices.”

The CRS report added that prohibiting necessary and pro-competitive insurer information sharing could “actually disserve consumers and lessen competition between insurance companies; e.g., if information sharing were categorically prohibited, some small companies that require it could be forced to leave the market.”

The letter added, “Some members of Congress have a mistaken perception that the antitrust provisions of the McCarran-Ferguson Act protect anticompetitive activities by medical liability insurers. They do not.”

Specifically, it said, the National Association of Insurance Commissioners has stated that “no state insurance regulator has seen evidence that suggests medical malpractice insurers have engaged or are engaging in price-fixing, bid-rigging, or market allocation.”

Those signing the letter include the American Insurance Association; the Council of Insurance Agents and Brokers; the Financial Services Roundtable; the Independent Insurance Agents & Brokers of America; the National Association of Insurance and Financial Advisors; the National Association of Mutual Insurance Companies; the National Association of Professional Insurance Agents; the Physician Insurers Association of America; the Property Casualty Insurers Association of America; and the Reinsurance Association of America.

G7 wants banks to pay for rescue, details pending

Reuters

Louise Egan and Gernot Heller

February 6, 2010

IQALUIT, Canada (Reuters) - The idea of a global tax on banks to recapture bailout costs gained ground on Saturday, boosted by the Obama administration's latest proposals, but there was no agreement on a specific design.

Finance ministers and central bankers from the Group of Seven rich nations called for closer study of a UK proposal for a bank levy to cover the cost of the bailouts of 2008 and 2009 that ran to hundreds of billions of dollars.

The ministers, meeting in a remote town in Canada's Far North, said any tax that result must be internationally coordinated and avoid choking off world economic recovery. Further details are unlikely to emerge for weeks.

The International Monetary Fund is compiling a report, due in April, on options for requiring banks to "make a fair and substantial contribution" toward bailouts. The IMF report was requested in September by the Group of 20 nations.

The G20, a more broadly based organization that is seen as supplanting the G7, will next meet in June in Toronto.

"It was generally agreed that the banks will have to pay for crisis costs," said German Finance Minister Wolfgang Schaeuble at the G7 meeting in tiny Iqaluit, Canada.

Canadian Finance Minister Jim Flaherty said officials agreed that financial institutions should "bear the costs of their contributions to those crises."

French Economy Minister Christine Lagarde said, "We were all in agreement that it had to be a universal taxation or universal levy or instrument to avoid the risk of arbitrage."

Talk of a bank tax has swirled for months since governments stepped in with massive taxpayer aid to stabilize the financial system amid the worst capital market crisis since the 1930s, with the exact targets for taxation varying.

Britain announced a 50 percent levy on large bonuses at banks to help cover the cost of the crisis. Sweden is imposing a direct levy on bank loans to recoup roughly \$10.6 billion from its banks to go into a financial crisis fund.

IMF head Dominique Strauss-Kahn has raised the idea of a one-off tax on bank earnings to recoup taxpayer bailout money.

British Prime Minister Gordon Brown gave the bank tax idea a boost in November when he called for considering it "with urgency." That swung Britain's position on the question into line with France and Germany. G20 officials said the levy mentioned by Brown would apply to financial transactions or bank earnings and be small, perhaps around 0.005 percent.

The United States, whose support would be key to any decision, was decidedly cool throughout 2009 to bank tax ideas, including Brown's. But the Obama administration has recently shifted its stance amid growing public anger over the bailouts, surging bank profits and a return to sky-high banker bonuses.

Obama in mid-January proposed that banks pay up to \$117 billion to reimburse U.S. taxpayers for bailouts, and slammed bankers for their "massive profits and obscene bonuses."

He called for a levy of 0.15 of a percentage point on the balance sheets of firms with assets over \$50 billion.

Large financial firms that would be hit by a tax are watching closely, said Scott Talbott, an executive at the Financial Services Roundtable, which represents giants such as Citigroup and JPMorgan Chase & Co.

"We agree that taxpayers should be made whole and financial institutions stand ready to pay their share of the costs. Any repayment should be timely and proportional," he said.

(With additional reporting by Kevin Drawbaugh in Washington; Writing by Kevin Drawbaugh; Editing by Jeffrey Hodgson)

Customers risk online banking fraud by reusing bank credentials

SearchFinancialSecurity.com

February 2, 2010

By Marcia Savage

Many online banking customers reuse their banking login credentials to access other websites, putting themselves at risk of account hijacking and online banking fraud, according to a study by Trusteer Inc.

The New York-based online security vendor found that 73% of bank customers use their Internet banking password to access non-financial -- and less secure -- websites. Forty-seven percent use both their online banking user ID and password on other websites.

The practice puts online banking customers at risk because criminals are using a variety of methods -- including database hacks, brute forcing and phishing -- to harvest login credentials from non-financial websites, such as social networking sites and Web-based email services, according to Trusteer. Thieves can then test the credentials on financial-services sites to hijack accounts and commit online banking fraud.

The research was based on data collected over 12 months from more than 4 million users of Trusteer's Rapport browser security service.

The Rapport browser plug-in has a feature that warns users when they type their banking credentials into another website in order to block potential phishing attacks that try to trick users into using their credentials on phony banking websites. The feature also is intended to alert users about the risks associated with using online banking credentials on other websites.

Trusteer's study also found that when a bank allows users to create their own user ID, 65% of those customers share the ID with nonfinancial sites. When banks assign IDs to customers, the number that use the ID on other sites dropped to 42%.

In addition to using banking credentials across the Web, users also put themselves at risk by creating easy-to-guess passwords. A report released last month by Imperva Inc. showed that many users choose simple, short passwords that make them susceptible to brute force attacks. The database security vendor based the report on an analysis of 32 million passwords exposed in a breach late last year of Rockyou.com, a social networking application site.

Almost 50% of users had simple passwords made up of names, dictionary words, consecutive digits and adjacent keyboard keys, Imperva's analysis showed. The most common password is "123456," and other favorites include "password," "princess" and "abc123."

BITS, a division of the Financial Services Roundtable and the Identity Theft Assistance Center, an affiliate of the Financial Services Roundtable, issued an advisory last week about the need to [boost password security](#).

"Virtually all financial websites rely on customers' passwords as a critical layer of protection for their personal and financial information," Paul Smocer, vice president for security at BITS said in a prepared statement. "We need to remember how critical it is to protect our online information, and unfortunately, to understand that there are those who want access to our information or funds."

**Budget fighting begins with oil lobby assault
The Hill
February 1, 2010
By Jim Snyder and Silla Bush**

The administration's 2011 budget recommendations drew a rebuke from the oil-and-gas industry and others targeted for cuts as the annual fight over spending officially kicked off Monday.

Oil and coal industries have done well in beating back climate change legislation, which has stalled in the Senate.

But now the sectors face a repeal of tax breaks worth nearly \$40 billion over 10 years. The cuts come out to around \$2.7 billion a year and help pay for an overall increase to the Energy Department's 2011 budget, with renewable-energy sectors standing to gain.

The budget includes about \$108 million in new funding to advance and expand research in the wind, solar and geothermal industries, DoE said.

Energy Secretary Steven Chu said the budget recommendations will make sure the administration's goal of doubling the amount of electricity produced by renewable-energy sources not including hydropower by 2012 would be met.

Congressional committees will spend much of the rest of the week hashing out the details of the president's budget request, which never survives Congress intact.

The oil-and-gas industry, in fact, has proven adept at fighting off proposals to repeal a range of subsidies. Democrats in Congress, for example, have tried without success to exempt the industry from claiming a lucrative manufacturing tax credit.

In its latest budget offer, the administration is again seeking to block the oil-and-gas industry from the manufacturing tax credit. Chu also said the administration would seek to end a tax break for ultra-deepwater drilling that is valued at around \$50 million a year.

The industry made clear that it will use the struggling economy and high unemployment rates to protect its tax breaks.

"With America still recovering from recession and one in 10 Americans out of work, now is not the time to impose new taxes on the nation's oil and natural gas industry," said Jack Gerard, the president and CEO of the American Petroleum Institute. "New taxes would mean fewer American jobs and less revenue at a time when we desperately need both."

The \$3.8 trillion budget blueprint includes a non-defense discretionary spending freeze, or about one-sixth of the total budget.

The request drew complaints from other sectors as well.

Financial lobbyists on Monday said they were opposed to the administration's efforts to cut federal subsidies from the Terrorism Risk Insurance Program.

The administration said changes to the program would create nearly \$250 million in savings between 2011 and 2020.

The administration proposed cutting the subsidy and encouraging the private property and casualty insurance industry to develop alternative reinsurance options. The administration said that the insurance industry is better equipped to deal with the threat of terrorism now than following the Sept. 11 attacks.

The budget proposal also recommends dropping coverage for acts of domestic terrorism. Congress reauthorized the terrorism insurance program in 2007, and lobbyists said they sensed little appetite for lawmakers to revisit the law this year.

Industry associations, including the Property Casualty Insurers Association of America (PCI), American Insurance Association (AIA) and Financial Services Roundtable, said they were opposed to the administration's proposal.

"It is my sense that the Congress will hold to the long-term extension that they passed in a bipartisan vote," said Ben McKay, senior vice president at PCI.

A spokesman for AIA said that any change to the current law "would have a detrimental impact on the availability and affordability of terrorism risk insurance."

Bias may hamper crisis inquiry, groups say
UPI NewsTrack Business
February 1, 2010

Three members of the Financial Crisis Inquiry Commission in Washington have done legal work that may bias their judgment, business groups said.

Scott Talbott, senior vice president for government affairs at the Financial Services Roundtable said, "We do share concerns about their ability not just to appear impartial, but to be impartial," USA Today reported Monday.

The Congressional commission is charged with finding the causes of the financial crisis, a task that began officially with hearings in Washington last week.

"The purpose of this commission is to take an independent, bipartisan look at what happened and how to fix it, not advance the agendas of any special interest, particularly those of the plaintiffs' bar." said Lisa Rickard, president of the U.S. Chamber of Commerce Institute of Legal Reform.

Commission members include Byron Georgiou, who works for Coughlin Stoia Geller Rudman & Robbins, which has pursued class-action suits against banks, Douglas Holtz-Eakin, who has done similar work as a consultant, and vice chairman Bill Thomas, former chairman of the House Ways and Means Committee, who has served as a consultant to a firm representing financial services companies.

"This diversity of experience is an asset to the commission." Tucker Warren, a spokesman for the commission, said.

Financial crisis panel members aided firms involved in bank suits

USA Today

February 1, 2010

By Matt Kelley

WASHINGTON — Three of the 10 commissioners studying the financial crisis have consulted for legal firms involved in lawsuits over the crisis, their financial disclosure forms show.

Two members of the Financial Crisis Inquiry Commission have worked for law firms representing people suing banks, while the commission's vice chairman is a consultant for a firm defending large financial services companies, according to disclosure forms the commissioners filed with Congress.

Business groups including the Financial Services Roundtable, a trade group of large financial companies, say ties to law firms suing banks show a bias against financial companies. "We do share concerns about their ability, not just to appear impartial, but to be impartial," says the roundtable's Scott Talbott.

Congressional leaders from both parties appointed the commission last year to examine the causes of the financial crisis and to make recommendations for preventing similar problems. The panel held its first hearings last month.

The U.S. Chamber of Commerce's Institute for Legal Reform has criticized commissioner Byron Georgiou because he works for Coughlin Stoia Geller

Rudman & Robbins, a California-based firm handling class-action suits against banks.

"The purpose of this commission is to take an independent, bipartisan look at what happened and how to fix it, not to advance the agendas of any special interest, particularly those of the plaintiffs' bar," institute head Lisa Rickard said.

Georgiou does not have an ownership stake in the firm and told The Wall Street Journal he would not do any work on any of the firm's cases against financial services companies.

The disclosure forms also show:

- Commission vice chairman Bill Thomas, the former Republican chairman of the House Ways and Means Committee, is a senior adviser to the law and lobbying firm Buchanan Ingersoll & Rooney, which represents financial services companies. The firm's website says Thomas is part of its "financial crisis team" that helps clients deal with the legal fallout of the crisis and proposals to tighten government regulations.
- Commission member Douglas Holtz-Eakin has consulted for a law firm handling cases against banks. Holtz-Eakin, a former campaign adviser to GOP presidential candidate John McCain, made \$45,000 in 2008 from the Texas firm of Nix Patterson & Roach. He reported no income from the firm in 2009 on his disclosure form, which he filed after his appointment in July.

The commissioners did not respond to repeated requests for comment Friday.

In an e-mail, commission spokesman Tucker Warren said the panel needs a "diversity of experience" and adopted conflict-of-interest and ethics policies.

Congress "made it clear in the law that commissioners should have significant experience in such fields as banking, regulation of markets, taxation, finance, economics, consumer protection and housing," he said. "This diversity of experience is an asset to the commission."

More consumers just say no to credit cards

Sandra Block

USA Today

February 7, 2010

Emily Maddox, 24, of Knoxville, Tenn., is the kind of customer credit card companies covet. She has a good job as an Internet marketing coordinator, and she lives within her means. But she's never had a credit card, and she has no plans to apply for one.

Credit cards, she says, "make me really nervous, and I've never felt comfortable having one."

In a country where the average consumer owns five credit cards, Maddox may seem somewhat quaint, like an Amish farmer who drives a horse-drawn buggy. But proponents of a no-credit-card lifestyle say there's nothing old-fashioned about their choices. And they're convinced that their numbers will grow as consumers become increasingly disenchanted with credit card industry practices.

Credit card usage is slowing. Revolving credit — largely made up of credit card debt — fell by nearly 20% in November, the largest drop on record, according to the Federal Reserve, reflecting less borrowing by consumers and banks' tighter lending standards. Through October, the number of new credit card accounts was down 46% from the same period in 2008, according to Equifax.

CREDIT CARDS: Bankrate.com helps you find the one that fits you best. But abandoning credit cards is a much more radical step than using them less. Consumers who don't own a credit card often have a hard time renting a car. Some hotels won't book rooms to travelers who want to pay with a debit card or cash. Those that accept debit cards may place a hold on several hundred dollars in the customer's bank account, which could cause checks to bounce. And many consumer experts say that responsible use of credit cards is one of the most effective ways to build a good credit record.

Those concerns haven't swayed Dann Zinke, 22, of St. Paul, who works at a gas station to save money for college. He's never owned a credit card and doesn't plan to get one any time soon. "I refuse to recognize it as a rite of passage into adulthood," he says. "I don't want to go through the hassle of signing up and receiving other credit card offers."

Reasons consumers are opting to live without credit cards:

- Desire for a simpler lifestyle. Two years ago, Adam and Courtney Baker decided to reduce their debts, sell most of their stuff, and spend a year or two traveling around the world. By selling their small business and a rental property, they were able to pay off more than \$11,000 in credit card debt.

Initially, they planned to use an American Express card during their travels, says Adam Baker. But once the couple wiped out their debt, they decided to stick with debit cards and cash. Going without credit cards helps them keep a handle on their spending and suits their stripped-down lifestyle, says Baker, 25, a freelance writer whose blog about his family's experience is titled Man Vs. Debt (www.manvsdebt.com).

"We enjoy not having them (credit cards) in our lives," says Baker. "Getting 1.5% cash back for using four cards and juggling them is just not something that interests us. We have bigger and better things we want to focus our attention on."

Louis Rosas-Guyon, 37, a business technology consultant in Miami, says his life has become less stressful since he stopped using credit cards 10 years ago. His epiphany came after he plugged his \$18,000 in balances into an Excel spreadsheet and learned that, at the rate he was going, it would take him 180 years to pay off his credit card debts.

Instead, he went into what he calls "aggressive debt-payment mode." He negotiated with his lenders, consolidated his debt and borrowed money from a relative, eventually paying off the balances.

"I have far fewer bills and headaches and fears about that monthly billing cycle," Rosas-Guyon says. "My life has gotten substantially easier because I've offloaded 10 to 12 different credit cards that I no longer have to make a payment on."

- Increased acceptance of debit cards. A decade ago, consumers who didn't want to use credit cards had two choices: carry a lot of cash or write checks and hold up the supermarket line. Today, debit cards blend the discipline of cash with the convenience of plastic and are accepted by most merchants that accept credit cards. In recent years, their popularity has soared.

A July 2009 survey by Auriemma Consulting Group found that 28% of consumers had shifted the way they pay for purchases in the past year, with an increase in debit card usage coming at the expense of credit cards. Forty-six percent of consumers surveyed said they believed debit cards helped control their spending.

"There's quietly been a debit card revolution," says best-selling personal finance author Dave Ramsey, who urges fans of his radio and Fox Business TV show to cut up their credit cards. Now that debit cards are broadly accepted, he says, using a credit card "with all its fees and interest rates and traps with customer service is really stupid."

Scott Talbott, senior vice president of government affairs for the Financial Services Roundtable, says the shift reflects a desire by consumers to get a better handle on their spending, rather than a rejection of credit cards.

"It's easy to demagogue the big credit card industry," he says. "Credit and debit card services play a vital role in our economy. Seventy percent of our GDP is based on consumer purchases, and credit cards and debit cards make that easy, safe and fast."

•Outrage about industry practices. Tim McFarlin, a consumer bankruptcy attorney in Irvine, Calif., 34, stopped using credit cards eight years ago because he thought the industry's business practices were unfair to consumers. "Any time there's even a hint of a financial issue in the consumer's life, the credit card company will raise the interest rate to the high 20s, or 30%," he says. "They'll do anything they can to make life as difficult as possible."

Last year, Congress enacted legislation that will make it more difficult for credit card issuers to raise interest rates on existing balances and charge certain fees. But those rules don't take effect until Feb. 22, and in anticipation of the change, credit card companies have aggressively raised interest rates and fees, even for borrowers who pay their bills on time. In addition, credit card companies have lowered credit limits for many customers.

The changes have been particularly hard on small-business owners who rely on credit cards for short-term business loans. Jennyvi Dizon, 29, a self-employed bridal wear fashion designer in Phoenix, says her credit card lenders cut her credit limit in half last year and raised the interest rate several times. Like many small-business owners, Dizon carried a balance, but says she always paid her credit card bills on time. About three months ago, she decided to stop using credit cards and resolved to pay off the remaining balances.

She now uses her savings to buy supplies, which hasn't been easy. Sometimes, she has to negotiate with suppliers because she doesn't have the cash on hand for a full order. But it's been worth it, Dizon says. "It's just a hassle these days to trust credit card companies," she says.

The public's opinion of credit card companies, which has never been particularly high, has plummeted during the past two years. Forty-seven percent of consumers surveyed in July said they trust credit card companies less now than they did a year earlier, according to Auriemma Consulting. Only national banks and the federal government fared worse.

The financial services industry provides choices for consumers, says Kenneth Clayton, senior vice president of the American Bankers Association. "If they don't like what a credit card company is providing, they should say no and move on to something that works for them better."

Drawbacks to doing without

Some consumer experts say consumers who have sworn off credit cards are misguided. Among the reasons:

- Debit cards provide fewer consumer protections than credit cards. If fraudulent charges show up on a credit card bill, the card holder can simply refuse to pay them. Federal law limits credit card holders' liability to \$50 of fraudulent charges, and most card issuers have zero-liability policies for victims of identity theft.

Federal laws also limit liability for debit card theft, but resolving the problem is more complicated. Money used with a stolen debit card is immediately drawn from the holder's account, which means the consumer must fight to get the funds reimbursed. In the meantime, outstanding checks could bounce.

It's also more difficult to dispute a defective purchase that has been paid with a debit card. Credit card holders can refuse to pay for the item; debit card holders have to battle for a refund.

And while debit card users don't have to worry about interest rates and late fees, they need to keep close tabs on how much money is in their bank accounts. Otherwise, they risk triggering hefty overdraft fees on debit card purchases that exceed the amount of available funds. Overdraft fees at the largest banks average \$34, which means even a few small overdraft purchases could trigger hundreds of dollars in fees.

- Responsible use of credit cards helps consumers develop a good credit profile. Consumers who don't carry a credit card have an average credit score of 563, vs. 689 for those with at least one card who carry a monthly balance, according to Credit Karma, a consumer website that provides free credit scores. The data were based on TransUnion credit scores.

"We still live in a credit-dominated society, and even if a person chooses to live on a cash basis, most of us are going to need credit when it comes time to buy a house or a car," says Gail Cunningham, spokeswoman for the National Foundation for Credit Counseling. "This means having a thick credit file and a high credit score, which can only be accomplished by having some degree of credit and treating it responsibly."

While debit cards resemble credit cards in many respects, they don't help consumers' credit scores, says John Ulzheimer, president of consumer education for Credit.com, a consumer website. "A debit card is a plastic form of a check," he says. "You don't have an obligation to manage it appropriately." Debit cards, he adds, "have zero value" as far as credit scoring is concerned.

Ironically, Ulzheimer says, people who have sworn off credit cards are the best candidates for credit. "Those are the people who would manage credit cards very well, because they're so disciplined," he says.

Emily Maddox is one of those people. She pays cash for day-to-day purchases and uses debit cards when she shops online. That way, she says, "I don't buy anything I can't afford."

But Maddox learned the downside of living without a credit card recently ago when she decided to buy a new car. A local Nissan dealer made her an attractive offer on a 2010 model, but her application for a five-year-loan was rejected because she has no credit history.

Maddox ended up buying the car with her fiancé, a graduate student, and each signed for the loan. Maddox's fiancé has a credit card, so his credit history, combined with her income, let them jointly qualify for a loan with very favorable terms, she says.

Even after that experience, Maddox says she has no interest in applying for a credit card. She's hoping the car loan — which she plans to pay off before the term expires — will help her establish a credit history.

"I've known people who have had credit cards, and I've seen what can happen if you get behind and how hard it is to get out of debt," she says.

"I don't like owing people money."

Irked, Wall St. Hedges Its Bet on Democrats
The Wall Street Journal
February 8, 2010

If the Democratic Party has a stronghold on Wall Street, it is JPMorgan Chase.

Its chief executive, Jamie Dimon, is a friend of President Obama's from Chicago, a frequent White House guest and a big Democratic donor. Its vice chairman,

William M. Daley, a former Clinton administration cabinet official and Obama transition adviser, comes from Chicago's Democratic dynasty.

But this year Chase's political action committee is sending the Democrats a pointed message, David D. Kirkpatrick reports in The New York Times.

While it has contributed to some individual Democrats and state organizations, it has rebuffed solicitations from the national Democratic House and Senate campaign committees. Instead, it gave \$30,000 to their Republican counterparts.

The shift reflects the hard political edge to the industry's campaign to thwart Mr. Obama's proposals for tighter financial regulations.

Just two years after Mr. Obama helped his party pull in record Wall Street contributions — \$89 million from the securities and investment business, according to the nonpartisan Center for Responsive Politics — some of his biggest supporters, like Mr. Dimon, have become the industry's chief lobbyists against his regulatory agenda.

Republicans are rushing to capitalize on what they call Wall Street's "buyer's remorse" with the Democrats. And industry executives and lobbyists are warning Democrats that if Mr. Obama keeps attacking Wall Street "fat cats," they may fight back by withholding their cash.

"If the president doesn't become a little more balanced and centrist in his approach, then he will likely lose that support," said Kelly S. King, the chairman and chief executive of BB&T. **Mr. King is a board member of the Financial Services Roundtable, which lobbies for the biggest banks, and last month he helped represent the industry at a private dinner at the Treasury Department.**

"I understand the public outcry," he continued. "We have a 17 percent real unemployment rate, people are hurting, and they want to see punishment. But the political rhetoric just incites more animosity and gets people riled up."

A spokesman for JPMorgan Chase declined to comment on its political action committee's contributions or relations with the Democrats. But many Wall Street lobbyists and executives said they, too, were rethinking their giving.

"The expectation in Washington is that 'We can kick you around, and you are still going to give us money,' " said a top official at a major Wall Street firm, speaking on the condition of anonymity for fear of alienating the White House. "We are not going to play that game anymore."

Wall Street fund-raisers for the Democrats say they are feeling under attack from all sides. The president is lashing out at their “arrogance and greed.” Republican friends are saying “I told you so.” And contributors are wishing they had their money back.

“I am a big fan of the president,” said Thomas R. Nides, a prominent Democrat who is also a Morgan Stanley executive and chairman of a major Wall Street trade group, the Securities and Financial Markets Association. “But even if you are a big fan, when you are the piñata at the party, it doesn’t really feel good.”

Roger C. Altman, a former Clinton administration Treasury official who founded the Wall Street boutique Evercore Partners, called the Wall Street backlash against Mr. Obama “a constant topic of conversation.” Many bankers, he said, failed to appreciate the “white hot anger” at Wall Street for the financial crisis. (Mr. Altman said he personally supported “the substance” of the president’s recent proposals, though he questioned their feasibility and declined to comment at all on what he called “the rhetoric.”)

Mr. Obama’s fight with Wall Street began last year with his proposals for greater oversight of compensation and a consumer financial protection commission. It escalated with verbal attacks this year on what he called Wall Street’s “obscene bonuses.” And it reached a new level in his calls for policies Wall Street finds even more infuriating: a “financial crisis responsibility” tax aimed only at the biggest banks, and a restriction on “proprietary trading” that banks do with their own money for their own profit.

“If the president wanted to turn every Democrat on Wall Street into a Republican,” one industry lobbyist said, “he is doing everything right.”

Though Wall Street has long been a major source of Democratic campaign money (alongside Hollywood and Silicon Valley), Mr. Obama built unusually direct ties to his contributors there. He is the first president since Richard M. Nixon whose campaign relied solely on private donations, not public financing.

Wall Street lobbyists say the financial industry’s big Democratic donors help ensure that their arguments reach the ears of the president and Congress. White House visitors’ logs show dozens of meetings with big Wall Street fund-raisers, including Gary D. Cohn, a president of Goldman Sachs; Mr. Dimon of JPMorgan Chase; and Robert Wolf, the chief of the American division of the Swiss bank UBS, who has also played golf, had lunch and watched July 4 fireworks with the president.

Lobbyists say they routinely brief top executives on policy talking points before they meet with the president or others in the administration. Mr. Wolf, in particular, also serves on the Presidential Economic Recovery Advisory Board led by the former Federal Reserve Chairman Paul A. Volcker.

Mr. Wolf was the only Wall Street executive on the panel and became the board's leading opponent of what became known as the Volcker rule against so-called proprietary trading, according to participants. Such trading did nothing to cause the crisis, Mr. Wolf argued, as the industry lobbyists do now. (The panel concluded that the crisis established a precedent for government rescue that could enable big banks to speculate for their own gain while taxpayers took the biggest risks.)

Mr. Wolf and Mr. Dimon, who was in Washington last week for meetings on Capitol Hill and lunch with the president, have both pressed the industry's arguments against other proposed regulations and the bank tax as well — saying the rules could cramp needed lending and send business abroad, according to lobbyists.

Both men are said to remain personally supportive of the president. But UBS's political action committee has shifted its contributions, according to the Center for Responsive Politics. After dividing its money evenly between the parties for 2008, it has given about 56 percent to Republicans this cycle.

Most of its biggest contributions, of \$10,000 each, went to five Republican opponents of Mr. Obama's regulatory proposals, including Senator Richard C. Shelby of Alabama, the ranking minority member of the Banking Committee.

The Democratic campaign committees declined to comment on Wall Street money. But their Republican rivals are actively courting it.

Senator John Cornyn of Texas, chairman of the National Republican Senatorial Committee, said he visited New York about twice a month to try to tap into Wall Street's "buyers' remorse."

"I just don't know how long you can expect people to contribute money to a political party whose main plank of their platform is to punish you," Mr. Cornyn said.