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[\(Associated Press\) Most lawmakers and analysts welcome Bernanke news](#)  
[\(Bloomberg\) Morning Call](#)  
[\(Bloomberg\) Court Orders Fed to Disclose Emergency Bank Loans \(Update2\)](#)  
[\(Bloomberg TV\) Inside Look - Executive Pay](#)  
[\(BNET\) Should Bank CEOs Direct Employees to Scuttle Consumer Protection Agency?](#)  
[\(CBS Evening News\) Reforms Looming, Card Issuers Hike Fees](#)  
[\(Cincinnati Enquirer\) BofA drops mandatory arbitration](#)  
[\(CNN\) The Situation Room with Wolf Blitzer](#)  
[\(CNNMoney.com\) Obama taps Bernanke for second term](#)  
[\(Dallas Morning News\) Homeowners fight for loan modifications from swamped mortgage servicers](#)  
[\(Examiner.com\) Industry Experts Join University of Maryland's Robert H. Smith School of Business to Lead New Center](#)  
[\(Financial Director\) BoNY Mellon CFO brings needed restructuring skills to RBS role](#)  
[\(Financial Times\) UK banks reject regulator's 'swollen' remarks](#)  
[\(Fox Business Network\) Countdown to the Closing Bell - Fox Business Network](#)  
[\(Honolulu Star Bulletin\) Fresh-faced look:Volunteers spruce up Kuhio Park Terrace as part of National Community Service Day](#)  
[\(Lansing State Journal\) Credit-card holders should be aware of changes as new regulations take effect](#)  
[\(MidWeek\) KPT Receives A Facelift](#)  
[\(National Mortgage Professional Magazine\) Obama reappoints Bernanke to second term as Federal Reserve Chair](#)  
[\(Newsday\) New credit card law what to know](#)  
[\(Philadelphia Bulletin\) Court Orders Fed To Come Clean On Emergency Loans](#)  
[\(Politico\) Obama doubles down on Bernanke](#)  
[\(Post Star Newspapers\) Study Debt is growing for seniors](#)  
[\(PR-Inside\) Online Trust and Brand Protection Summit Announced](#)  
[\(Seattle Times – Online\) Credit card changes to kick in](#)  
[\(Today's THV\)Credit Card Precautions](#)  
[\(UPI\) Subprime lenders getting foreclosure funds](#)  
[\(US Banker\)The Business Case for Financial Literacy](#)  
[\(Washington Business Tonight\) Why Some Banks Raise Fees](#)  
[\(Washington Post\) Credit Card Firms Face New Curbs This Week](#)  
[\(Washington Post\) Financial Industry Is in Group's Sights](#)  
[\(Washington Post\) There Goes the Credit Card Prize](#)  
[\(Washington Post\) Seniors Leaning on Credit](#)

[\(Washington Post\) Subprime Lenders Getting U.S. Subsidies, Report Says](#)  
[\(Washington Times\) White House makes 'pay czar' the agent against big bonuses](#)  
[\(Wichita Eagle\) Obama plan would give small banks a break](#)  
[\(Winston-Salem Journal\) Credit-card rewards shrink as issuers amend programs](#)  
[\(Worcester Telegram & Gazette – Online\) Fed told to name companies](#)

**Subprime lenders, bailed out once, get new federal incentive**  
**Shannon Behnken**  
**The Tampa Tribune**  
**August 31, 2009**

Subprime lenders who were blamed for the turmoil in the banking industry may receive billions in taxpayer dollars through a program aimed at stemming foreclosures, according to the Washington, D.C.-based Center for Public Integrity.

Under the \$75 billion federal program, Making Home Affordable, lenders will receive money in exchange for lowering mortgage payments of distressed homeowners.

Of the top 25 participants in the program, at least 21 were heavily involved in the subprime lending industry, the report says. The majority specialized in servicing subprime loans â “ meaning they collected payments but did not originate the loans.

Several of the firms receiving money, however, both serviced and originated the loans.

"Much of this money is going directly to the same financial institutions that helped create the subprime mortgage mess in the first place," Bill Buzenberg, executive director of the Center for Public Integrity, said in a news release.

The center is a nonpartisan news organization that researches public policy issues.

The subprime lenders participating in the program are slated to receive more than \$21 billion in taxpayer funded incentives. Many of them have already received hundreds of billions of dollars from the federal government's primary bank bailout, the Troubled Assets Relief Program or TARP.

Bank of America, through its ownership of Countrywide, may receive up to \$5.1

billion in incentive payments, according to the report.

JPMorgan Chase may receive up to \$2.7 billion in incentives. Including subsidiary EMC Mortgage Corp., JPMorgan could collect as much as \$3.4 billion. Wells Fargo could collect as much \$3.1 billion including its Wachovia subsidiaries.

Under the program, the lenders receive incentive money when they modify the mortgage of a troubled a homeowner, allowing them to avoid foreclosure.

The servicers get an upfront \$1,000 payment for each modification, plus \$1,000 each year for three years if the borrower stays in the program. The borrower may receive a \$1,000 payment to be applied toward the principal for five years.

**Scott Talbott, chief lobbyist for the Financial Services Roundtable, which represents some of the nation's largest lenders, said the report "misses the complexities of the market."**

**"To say the industry caused this is misleading," Talbott said. "The industry is working night and day to help homeowners stay in their homes. The majority of the subprime loans have been take care of. Most of the loans in trouble now are those from prime borrowers.**

**"The industry didn't cause unemployment."**

## **Court Orders Fed To Come Clean On Emergency Loans**

**08/31/2009**

**MARK PITTMAN**

**Philadelphia Bulletin**

The Federal Reserve must for the first time identify the companies in its emergency lending programs after losing a Freedom of Information Act lawsuit.

Manhattan Chief U.S. District Judge Loretta Preska ruled against the central bank yesterday, rejecting the argument that loan records aren't covered by the law because their disclosure would harm borrowers competitive positions.

The Fed has refused to name the financial firms it lent to or disclose the amounts or the assets put up as collateral under 11 programs, most put in place during the deepest financial crisis since the Great Depression, saying that doing so might set off a run by depositors and unsettle shareholders. Bloomberg LP, the New York-based company majority-owned by Mayor Michael Bloomberg, sued on Nov. 7 on behalf of its Bloomberg News unit.

The Federal Reserve has to be accountable for the decisions that it makes, said U.S. Representative Alan Grayson, a Florida Democrat on the House Financial Services Committee, after Preskas ruling. Its one thing to say that the Federal Reserve is an independent institution. Its another thing to say that it can keep us all in the dark.

### Inadequate Search

The judge said the central bank improperly withheld agency records by conducting an inadequate search after Bloomberg News reporters filed a request under the information act. She gave the Fed five days to turn over documents it told the reporters it located, including 231 pages of reports, and said it must look for more at the Federal Reserve Bank of New York, which runs most of the loan programs.

The central bank essentially speculates on how a borrower might enter a downward spiral of financial instability if its participation in the Federal Reserve lending programs were to be disclosed, Preska wrote. Conjecture, without evidence of imminent harm, simply fails to meet the Boards burden of proof.

David Skidmore, a Fed spokesman who said the boards staff was reviewing the 47-page ruling, declined to comment on whether the central bank would appeal to the U.S. Court of Appeals in New York.

Federal Reserve Chairman Ben S. Bernanke, who led the biggest expansion of the central banks power in its 95-year history, was nominated to a second term today by President Barack Obama.

### Banks Worried

Obama promised a new era of government openness when he took office in January, issuing a statement telling agencies to adopt a presumption in favor of disclosure in responding to requests under FOIA.

**Banks are worried that the disclosure of borrowers identities by the Fed, the lender of last resort, would cause customers to empty their bank accounts in a run on the bank, said Scott Talbott, vice president of governmental affairs at the Washington-based Financial Services Roundtable, a lobbying group.**

**This issue is: This bank borrowed X billion from the Fed, therefore they must be in trouble, therefore Im going to pull my money out, said Talbott. Thats the type of danger that were worried about. Thats the risk.**

Bloomberg LP said in the suit that U.S. taxpayers need to know the terms of Fed lending because the public became an involuntary investor in the nations banks as the financial crisis deepened and the government began shoring up companies with capital injections and loans. Citigroup Inc. and American International Group Inc. are among those who have said they accepted Fed loans.

### Unprecedented Ways

When an unprecedented amount of taxpayer dollars were lent to financial institutions in unprecedented ways and the Federal Reserve refused to make public any of the details of its extraordinary lending, Bloomberg News asked the court why U.S. citizens dont have the right to know, said Matthew Winkler, the editor-in-chief of Bloomberg News. Were gratified the court is defending the publics right to know what is being done in the public interest.

The Feds balance sheet about doubled after lending standards were relaxed in the wake of the collapse of Lehman Brothers Holdings Inc. on Sept. 15, 2008. For the week ended Aug. 19, Fed assets rose 2.3 percent to \$2.06 trillion as it continued to buy mortgage-backed securities under a program allowing the central bank to purchase non-government securities for the first time.

### Fed Audits

The U.S. House may vote as soon as next month on a bill to require the Fed to submit to audits by the Government Accountability Office, said Representative Scott Garrett, a New Jersey Republican on the Financial Services Committee.

The judges ruling is strikingly good news, Garrett said. This is what the American people have been asking for.

The Freedom of Information Act obliges federal agencies to make government documents available to the press and public. The Bloomberg suit, filed in New York, didnt seek money damages.

The public deserves to know whats being done with the money, said Lucy Dalglish, executive director of the Arlington, Virginia-based Reporters Committee for Freedom of the Press. This ought to be a wake-up call for the public that they need to be far more educated about this.

The case is Bloomberg LP v. Board of Governors of the Federal Reserve System, 08-CV-9595, U.S. District Court, Southern District of New York (Manhattan).

## **Study Debt is growing for seniors**

**08/31/2009**

**NANCY TREJOS**

**Post Star Newspapers**

The Washington Post

Updated: Saturday, August 29, 2009 10:04 PM EDT

WASHINGTON -- Alice Smith thought she would live comfortably and quietly in her Hyattsville, Md., retirement community. Instead she's fretfully dodging calls from her creditors.

She owes more than \$10,000 to four credit card companies and more than \$7,000 to a credit union -- in part, she said, because of spending to help her family. She doesn't give exact figures because she is unsure of them: With late fees and higher interest rates, the amount she owes has grown. Her income has not.

Through Social Security and a pension from her former job at a National Institutes of Health laboratory, she receives about \$2,000 a month. Her rent is \$955. She doesn't know how she can ever pay down her debts. So she thinks she just might not.

"I am 80 years old," she said, "and I don't need this headache at my age."

Older Americans are among the most vulnerable age group in this recession. They are carrying debt loads they can barely handle with their fixed incomes, dwindling retirement savings and, in many cases, devalued homes.

Average credit card debt among low- and middle-income Americans 65 and older carrying a balance for more than three months reached \$10,235, up 26 percent from 2005, according to a recently released study by the public policy group Demos. It was the fastest increase of any age group.

It's a surprising reversal of fortune for a generation that had been considered more financially responsible than younger generations. Frequent or frivolous use of credit cards had not been a common trait of older Americans, particularly those 65 and older, because credit was not as easily available in their formative years.

"What's changed in this challenging economy is that no generation is immune from tough times. And it means that many older adults find they need to use credit cards as a means to stretch a fixed income, meet rising costs, pay for unexpected

medical or household expenses, or to even help adult children," said Angela Rabatin, a professor of finance and contract law at University of Maryland University College.

In 2007, the most recent figures available, the percentage of 55- to 64-year-olds who had to use more than 40 percent of their income toward paying down debt was 12.5 percent, higher than any other age group, according to the Employee Benefit Research Institute.

Those who were 65 to 74 did not trail far behind, with 11.2 percent contributing that big a chunk of their income toward their debt.

"Even going into the downturn of the economy, a significant percentage of people were at that threshold considered dangerous for debt," said Craig Copeland, a senior research associate at the institute.

Rising medical costs and less-generous health insurance plans, in particular, are burdening retirees and soon-to-be retirees. As the battle over health care reform rages on, many are turning to borrowed money to pay for prescriptions and doctor visits.

"Some of them were maybe relying on their home equities for retirements. Their pensions have gone down. ... Making it through the week becomes an issue," said Jose Garcia, associate director of research and policy for Demos.

The Demos study found that, on average, \$4,000 of a senior citizen's card debt had covered medical expenses, such as drugs, dental expenses and doctor visits.

"A great deal of senior spending is health care, and health care costs have been outpacing inflation for a long time," said David Certner, a lobbyist for AARP.

Soon-to-be retirees also struggled with medical debt. On average, those 50 to 64 had almost \$2,000 in card debt caused by medical needs, according to Demos. The impending wave of baby-boomer retirements and the projected insolvency of Medicare by 2017 pose additional troubles for this population.

Raising rates, fees

Complicating matters, many card companies have raised interest rates, fees and minimum payments in anticipation of a law taking effect in February that will restrict such hikes. Older borrowers have been hit especially hard by such actions, consumer advocates said, because their incomes are fixed and their ability to get a job is limited.

"There are just less shock absorbers in a senior citizen's budget," said Cate Williams, vice president of financial literacy for Money Management International, a nonprofit credit counseling agency.

Industry representatives said banks are, in some cases, willing to help distressed borrowers by lowering interest rates or minimum payments or by other arrangements.

**"During this crisis, the industry is working to help customers on an individual basis, and it takes into account all aspects of each cardholder's personal situation," said Scott Talbott, lobbyist for the Financial Services Roundtable.**

Smith, an 80-year-old widow who lives alone, has reached out for help from the Legal Aid Bureau of Maryland. Because she has no significant assets and her sole income comes from Social Security and a pension, her creditors cannot garnish her earnings, though they can still seek a court judgment against her.

For now she has chosen to ignore the letters she receives from them, and she has stopped paying. She knows that will damage her credit score, which lenders use to decide whom to extend credit to, but she doesn't care. She doesn't want any more credit.

"I can't afford to pay that out of my check," she said. "I can't."

**Seniors Leaning on Credit  
Balances Balloon for Older Cardholders -- and Health Bills Don't Help  
Nancy Trejos  
Washington Post Staff Writer  
August 30, 2009**

Alice Smith thought she would live comfortably and quietly in her Hyattsville retirement community. Instead she's fretfully dodging calls from her creditors.

She owes more than \$10,000 to four credit card companies and more than \$7,000 to a credit union -- in part, she said, because of spending to help her family. She doesn't give exact figures because she is unsure of them: With late fees and higher interest rates, the amount she owes has grown. Her income has not. Through a pension and Social Security from her former job at a National Institutes of Health laboratory, she receives about \$2,000 a month. Her rent is \$955. She doesn't know how she can ever pay down her debts. So she thinks she just might not.

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It's a surprising reversal of fortune for a generation that had been considered more financially responsible than younger generations. Frequent or frivolous use of credit cards had not been a common trait of older Americans, particularly those 65 and older, because credit was not as easily available in their formative years. Now, even they are finding they have little choice but to borrow money.

"What's changed in this challenging economy is that no generation is immune from tough times. And it means that many older adults find they need to use credit cards as a means to stretch a fixed income, meet rising costs, pay for unexpected medical or household expenses, or to even help adult children," said Angela J. Rabatin, an adjunct professor of finance and contract law at University of Maryland University College and Prince George's Community College.

In 2007, the most recent figure available, the percentage of 55-to-64-year-olds who had to use more than 40 percent of their income toward paying down debt was 12.5 percent, higher than any other age group, according to the Employee Benefit Research Institute, which studies pensions and benefits. Those who were 65 to 74 did not trail far behind, with 11.2 percent contributing that big a chunk of their income toward their debt.

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Rising medical costs and less-generous health insurance plans, in particular, are burdening retirees and soon-to-be retirees. As the battle over health-care reform rages on, many are turning to borrowed money to pay for prescriptions and doctor visits.

"Some of these older Americans are picking up the brunt of this recession," said Jose Garcia, associate director of research and policy for Demos. "Some of them were maybe relying on their home equities for retirements. Their pensions have gone down. . . . Making it through the week becomes an issue."

The Demos study found that, on average, \$4,000 of a senior citizen's card debt had covered medical expenses, such as prescription drugs, dental expenses and doctor visits.

"A great deal of senior spending is health care, and health-care costs have been outpacing inflation for a long time," said David Certner, legislative policy director for AARP.

Soon-to-be retirees also struggled with medical debt. On average, those 50 to 64 had almost \$2,000 in card debt caused by medical needs, according to Demos. The impending wave of baby-boomer retirements and the projected insolvency of Medicare by 2017 pose additional challenges for this population and the federal government. "Currently most retirees age 65 and over rely on Medicare for health-care coverage, but would-be retirees may not feel comfortable counting on it being there," Rabatin said.

Sharon Brown is hoping it will be. An eye condition contributed to her card debt. The 55-year-old Northwest Washington resident frequently visits an ophthalmologist and must get special contact lenses each year that can cost up to \$800. Her insurance has covered most of it, but some years she put her portion of the bill -- about \$300 -- on a credit card. She also needed expensive dental procedures that her insurance partially covered. The rest went on a credit card.

Over the years, she accumulated about \$35,000 in debt on seven cards, more than she could afford to pay on a government worker's salary. Like White, part of that went toward helping relatives. Sometimes, she charged out-of-pocket medical expenses for her young granddaughter. "I was not going to turn them away when they needed help," she said.

But she found herself needing help as well. Last year, she turned to InCharge Debt Solutions, a Florida-based nonprofit counseling agency. She is now on a debt-management plan that has brought her monthly payments down to \$900 from about \$1,300. Still, she will not be able to achieve her dream of retiring at 55. "I really don't blame anyone but myself," she said.

Complicating matters, many card companies have raised interest rates, fees and minimum payments recently in anticipation of a new law taking effect in February that will restrict such hikes. Older borrowers have been hit especially hard by such

actions, consumer advocates said, because their incomes are fixed and their ability to get a job is limited. "There are just less shock absorbers in a senior citizen's budget," said Cate Williams, vice president of financial literacy for Money Management International, a nonprofit credit counseling agency.

Industry representatives said banks are, in some cases, willing to help distressed borrowers, no matter what their age, by either lowering interest rates or minimum payments or by negotiating other arrangements. **"During this crisis, the industry is working to help customers on an individual basis, and it takes into account all aspects of each cardholder's personal situation," said Scott E. Talbott, senior vice president of government affairs for the Financial Services Roundtable, an industry group.**

Financial advisers recommend that older Americans call their creditors and ask for better terms. If they are having trouble making payments, they should seek help from a credit-counseling agency that has been vetted by the Better Business Bureau, the state attorney general and local consumer-protection agencies. A state-licensed debt-management company could also help.

Those with medical debt can cut down on their costs simply by switching to generic drugs. But they should consult their doctor or pharmacist before doing so, advisers said. They should also ask their doctors for free samples and make sure their pharmacist is applying every available discount, they said. If they are having trouble coming up with the cash to cover health care, they should see whether they qualify for Medicaid or shop around for policies to supplement Medicare, said Pam Villarreal, a senior policy analyst for the National Center for Policy Analysis.

Ruth Magnum, a 60-year-old Northeast Washington retiree, sometimes used a credit card to pay for clothing, prescriptions and doctor's visits for her granddaughter, who was battling colon cancer. Her debt reached \$5,000. When she started having trouble making her payments, she turned to InCharge Debt Solutions. She has paid off more than half of it under a payment plan and hopes to be out of debt in a year. She plans to never use a credit card again. "No, thank you. I'll pay cash," said the former day-care worker.

Smith, an 80-year-old widow who lives alone, has also reached out for help, from the Legal Aid Bureau of Maryland. Because she has no significant assets and her sole income comes from Social Security and a pension, her creditors cannot garnish her earnings, though they can still seek a court judgment against her.

For now she has chosen to ignore the letters she receives from them, and she has stopped paying. She knows that will damage her credit score, which lenders use to

decide whom to extend credit to, but she doesn't care. She doesn't want any more credit.

"I can't afford to pay that out of my check," she said. "I can't."

**The Business Case for Financial Literacy**  
**US Banker**  
**September 2009**  
**By Kathy Brister**

Bank tellers may spend their days counting out money, but that doesn't mean they all manage their own finances well. So, starting this fall, SunTrust Banks Inc. will kick off a company-wide financial literacy initiative in which it will train front-line employees in the basics of money management - budgeting, balancing a checkbook, paying bills on time - and educate them on the importance of saving and investing.

SunTrust officials say the workplace education program is worth the investment because studies show that financially secure workers are more productive than those with money troubles. (The threat of foreclosure or eviction can be a powerful distraction, after all.) Bank officials intend to eventually parlay the in-house program into a value-added service it can offer to its corporate customers, many of which have approached SunTrust about offering financial education to their own employees.

But perhaps the biggest payoff for SunTrust will be in the trickle-down.

J. Scott Wilfong, the president of SunTrust's greater Washington, D.C., region, says that the financial crisis was caused, in large part, "by the fact that people just don't understand finance. That included a lot of bankers that were selling financial products." The bank, which has made financial education a centerpiece of its nearly year-old "Live Solid, Bank Solid," branding campaign, wants workers who have completed training to use the knowledge they have gained to both better advise customers and steer them toward products that best meet their needs. While that approach may not produce the short-term profits the bank might have strived for in the past, it could go a long way toward improving customers' financial standing - and SunTrust's prospects for cross-selling.

"If consumers are doing better with their money, then they can afford more home loans, car loans and school loans," says Michael Gutter, a University of Florida professor who is an expert in personal financial education. "Financial institutions need to think about this from a long-term perspective."

Bankers have always believed that financial education makes good business sense, to some degree, and it's why they often take the lead in sponsoring high school literacy programs and adult money-management seminars. But some bankers admit that, in recent years, they lost focus. Most of the industry's capital was devoted to product development, not people, and the result was that many customers were steered toward "free" checking accounts that maximized overdraft fees and into loans they couldn't afford or didn't understand.

"There was no incentive to worry about the long-term financial health of the customer," says Don McGrath, the chairman of BancWest Corp. in San Francisco. "Obviously, we've all seen the problem with that set of facts."

The financial crisis has changed that. It's led to a surge in bank-sponsored programs, targeting youths and the elderly, the banked and the unbanked. Like SunTrust, many banks are also starting to incorporate financial education into their marketing. Bank of America, for example, recently started running advertisements touting its one-page, plain language mortgage disclosure form. The Washington Trust Co. in Westerly, R.I., is embedding educational videos on such topics as reverse mortgages and loans for first-time home buyers into e-mails to customers.

Part of banks' motivation, undoubtedly, is rebuilding trust. By responding to consumer demands for transparency and financial knowledge, banks can diffuse the backlash and credibly lobby against efforts to impose more regulation on them, says industry analyst Mike Moebs, whose Illinois firm collects and analyzes data about financial institutions for business, academic and government clients.

Adds Gutter: "It's good PR right now. Banks want to show they care about their customers."

It remains to be seen how well the efforts will pay off for banks, or if they will stick with their commitment to financial literacy once the economy recovers. Studies show that people with damaged credit who undergo money-management training often revert to their old habits. Moreover, banks have profited handsomely over the years from customers' missteps - repeatedly paying overdraft and bounced-check fees, for example - and recovering that lost income is likely to be an ongoing challenge if consumers become more savvy about avoiding fees.

Few bankers are as active in financial literacy efforts as McGrath. He is an officer of **the Financial Services Roundtable, an industry lobbying group that is strongly encouraging its members to take a more active role in financial education.** He sits on the President's Advisory Council on Financial Literacy, a panel established by President George W. Bush that is awaiting new instructions from the Obama administration - which has said financial education is a top

priority. The council has issued recommendations on what the federal government could do to increase financial literacy nationwide, such as mandating financial education from kindergarten through 12th grade and offering tax incentives to employers who provide financial literacy programs in the workplace.

McGrath also is as a board member of Operation HOPE, a Los Angeles advocacy group that takes a civil rights approach to the need for financial education. For 17 years, Operation HOPE has counseled the poor and unbanked and provided financial education resources used in classrooms and communities across the country.

His company, too, is heavily involved in financial education. BancWest unit, Bank of the West, is one of more than a dozen financial institutions participating in "Bank on San Francisco," a program in which banks and credit unions offer financial literacy education and low-cost savings and checking accounts to the unbanked. (The program was founded in San Francisco three years ago and has since spread to dozens of other cities.) Bank of the West also educates senior citizens about protecting their financial assets from swindlers.

McGrath says it is simply good business for banks to educate their customers, and use their "megaphones" to encourage financial literacy training, particularly in schools.

"The ability to have a much better educated populace is good for the industry," McGrath says. "It's sad that the problem had to get so bad before we decided to deal with it."

Marshall & Ilsley Bank in Milwaukee is also a strong proponent of financial education; it recently added a second full-time staffer devoted solely to financial literacy. In one of its programs, M&I explains banking and credit basics to people seeking job training at an Arizona food. It also helps soon-to-be-released prisoners in Wisconsin learn to create and live on a budget. Since 2005, the bank has given financial literacy training to about 15,000 people throughout its nine-state service area, says Ammar Askari, the bank's vice president of retail administration.

While the unbanked and the underbanked represent a potentially profitable customer base down the road, banks also recognize the need to stay connected with existing customers. Rilla Delorier, SunTrust's chief marketing officer, says SunTrust's "Live Solid. Bank Solid" campaign is based on research that shows customers not only want reassurance that their bank is stable, but also that it cares about their financial well-being. A typical ad campaign can take about four months from inception to launch, but SunTrust rolled out the "Solid" campaign in early October, after just six weeks in development, because research showed the

message would immediately resonate with consumers. "America has changed its mindset around money," Delorier says.

The campaign has included training for employees in select branches and the plan going forward is to take that initiative to a broader segment of the bank's retail workforce.

David Mancl, director of Wisconsin's Office of Financial Literacy (a division of the state Department of Financial Institutions) and also a member of the President's Advisory Council on Financial Literacy, says financial education in any workplace has been shown to reduce employee stress and increase productivity.

What's less known is whether bank employees will effectively pass on what they have learned, but Mancl intends to find out. Using a \$200,000 grant from the Investor Protection Trust, a Washington, D.C., nonprofit, a research team that includes Mancl's agency will study the benefits of financial literacy training provided to 4,000 credit union employees in Wisconsin. The employees' financial knowledge will be tested before and after they receive online training. After the instruction, researchers will measure whether employees increased their participation in 401(k) plans, as the training advises, and whether customers' contributions to retirement plans increase after consulting with employees that went through the training.

"When you do financial training in the workplace of a financial institution, the employees may take steps to improve their own financial wherewithal, but maybe more important is how that will transfer to the customer," Mancl says.

Building a savvier base of customers may help banks solve some of their problems, but it could create others. If people really do improve at managing their finances, how will banks make up for the loss of revenue that now comes from customers' money management problems?

An unavoidable reality for serious financial literacy efforts is that banks' income depends greatly on the carelessness of a small percentage of customers. U.S. banks and credit unions generate \$34 billion annually in overdraft fees on checking, debit and ATM accounts, according to the FDIC, and research firm Oliver Wyman notes that 68 percent of all NSF and overdraft fees come from just 5 percent of accountholders racking up 20 or more overdrafts a year.

Those fees are likely to become even more critical to banks' bottom lines next year, when federal laws take effect limiting banks' ability to extract credit card fees. The Obama administration's plan to create a Consumer Financial Protection

Agency - which the industry vehemently opposes - also threatens to further commoditize basic loan products and shrink margins that are already razor thin.

"We've seen pretty strong mortgage rules. We've seen pretty strong rules on credit cards enacted," says Rebecca Borne, policy counsel for the Center for Responsible Lending, an advocacy group based in Durham, N.C. "That leaves overdrafts wide open as an area banks can exploit."

Borne contends that for banks to gain more credibility as financial literacy advocates, they should, for example, halt the practices of charging "piled-on" overdraft fees, which often hit the poorest customers hardest. "Banks are clearing transactions from highest to lowest to clear the account earlier and charge more fees," she says.

Sue Hunt says "water-cooler conversation" at Consumer Credit Counseling Service of Greater Atlanta, a nonprofit agency that advises people on how to manage debt, often centers on how fees can push consumers trying to rehabilitate their finances even deeper into a hole. "Banks and lending institutions are going to put the fees on the people who have the most difficulty paying their loans," says Hunt, housing program manager for CCCS. "But if they don't, then the costs will trickle down to those who do pay loans on time."

**Scott Talbott, senior vice president for government affairs for the Financial Services Roundtable, says that banks haven't really come up with a game plan for replacing revenue they could lose if customers get smarter about paying overdraft fees, but says it's a problem the industry would welcome.**

**"That would be a good scenario to have our customers manage their money well," he says. "The benefits to the consumer, to the economy, to the industry are a positive. All are strengthened by better financial literacy."**

Moebis, the analyst, says that banks have no choice but to shift their business model away from overdraft fees that are under so much scrutiny from regulators and consumer advocates. He suggests that financial institutions fully inform customers about how fees are incurred, warn customers when they are about to be charged, and - importantly - better diversify fees so that revenues are not as heavily weighted on overdrafts. Moebis' analysis indicates that nearly 45 percent of banks and credit unions have overdraft revenue greater than net income.

The solution, he says, is for banks to charge more fees, but to spread them out across product portfolios and make them transparent so that regulators don't have reason to intervene on consumers' behalf. That would be difficult in the current economic climate, Moebis acknowledges, but says it's crucial to future profits. "We

have at stake a broken business model," he says, "and the only way we are going to be able to make it work is to charge more fees" on transactions, loans and deposits.

Even with more financial know-how, some customers, of course, will keep paying for their financial mismanagement. Moebis likens financial education to speed limit signs: Drivers know how fast they should go, but some always speed.

Indeed, results from a pilot financial literacy program for college students that Gutter worked on in Wisconsin in spring 2006 showed participants immediately reduced credit card use and increased savings. But nine months later, their card use and debt levels were higher and their savings rates were lower than before the study started. One area of improvement that stuck: Before the training, 33 percent of students said they used a budget. Nine months later, about 42 percent of students were using a budget.

M&I Bank's financial literacy program, which uses the FDIC "Money Smart" financial toolkit as a framework, has shown more positive results. The bank requires most participants to take a 10-question multiple-choice financial literacy test before and after they go through a training session. The number of correct answers goes up an average of 44 percent after the training is complete.

Still, Askari says the stream of revenue from customers who cannot manage their money is unlikely to evaporate. As an example, he describes M&I Bank's Credit Builder program, which helps people improve their credit history by showing how they can improve credit scores by making regular payments. The bank funds a certificate of deposit - a simulated "loan" - for the participant, who then makes monthly payments until the total adds up to the value of the CD. At the end, the participant can cash in the CD, including the interest earned. But a considerable number of people who start the program never complete it, says Askari, who plans to research just how many people drop out of such second-chance bank accounts - and why.

"We are saying, 'Look, we want to help you, but we want evidence that now you want to help yourself,'" Askari says. "The worst of them will not rehabilitate."

But what encourages financial literacy proponents is that people are now far more interested in learning how to manage their money - and banks are far more interested in teaching them.

Since 2008, the Financial Service Roundtable has encouraged members to focus community outreach on financial literacy. A recent roundtable survey showed that 56 percent of the community service projects its members sponsored in the second

quarter focused on financial literacy - up from 35 percent in the third quarter of 2008.

Hunt of Consumer Credit Counseling says two years ago many mortgage candidates who were required by their lenders to get financial counseling treated it as "a huge imposition."

"The people who are coming to the table now," she says, "are better educated about the home-buying process and want to become more educated."

Many also are in better shape financially, she notes.

Mancl says the number of people attending financial education events sponsored by Wisconsin's Office of Financial Literacy has grown by a third in the last year.

"We are getting record attendance," Mancl says. "The public is tuned into its own financial education."

### **UK banks reject regulator's 'swollen' remarks**

**08/28/2009**

**George Parker**

**Financial Times**

Bankers, industrialists and London's mayor have fiercely rejected Lord Turner's argument that Britain's "swollen" banking industry was destabilising the economy and needed to be cut down to size.

Adair Turner, head of the Financial Services Authority, wants to tighten taxes on banks.

The backlash came a day after the chairman of the Financial Services Authority said the City watchdog should be "very, very wary of seeing the competitiveness of London as a major aim".

He also floated the idea of higher capital reserve requirements and a global Tobin tax on financial transactions to choke off some of the banks' "socially useless" activity.

Lord Turner's critics said he had overstepped his remit as a regulator and risked damaging London's standing as Europe's leading financial centre.

Stuart Fraser, chairman of policy at the City of London Corporation, said Lord Turner was playing into the hands of rival financial capitals, such as Frankfurt or

Paris. "Other centres would dearly love to have business from London. If we want to shoot ourselves in the foot, they would be delighted to take the business," he said.

Boris Johnson, the London mayor, said anybody who did not believe the FSA's responsibilities included protecting the international competitiveness of the City was "crackers".

Blog: Time to rein in the financial sector?

"Nobody in their right mind would want to do something that targeted London specifically. The City of London generates fantastic revenues for the government," Mr Johnson said.

John Cridland, deputy director-general of the CBI, said: "The government and regulators should be very wary of undermining the competitiveness of the UK's financial services industry."

Lord Turner's comments, made in a discursive interview in Prospect magazine, drew a stony silence from the Treasury yesterday, other than a statement saying that it was Alistair Darling, not the FSA chairman, who set tax policy. George Osborne, shadow chancellor, declined to enter the debate.

Vince Cable, Liberal Democrat treasury spokesman, said Lord Turner was right to warn that the City might need to shrink and that "defending London's competitiveness" was being used as an excuse to defend "business as usual".

"If you are engaged in behaviour that is dangerous to the wider British economy, it is right some sectors may have to contract," he said.

But Lord Turner's backers were drowned out by the City reaction. The British Bankers Association was among the most trenchant in its criticism. "If we introduce the wrong kind of regulation or the wrong kind of taxes we could so easily lose that position by driving business abroad ... On so many occasions in the past the country has lost chunks of industry through making the wrong decisions. Let's not do that again."

The Investment Management Association and the Association of British Insurers were critical of the likely impact on investors. "It is just illogical to want to shrink one of your most important industries," said one London banker. "If you want to turn London into a Marxist society, then great."

**US bankers also opposed the idea of a global transaction tax. "We vigorously**

**oppose a tax on the industry," said Scott Talbott, head of government affairs at the Financial Services Roundtable, which represents the top 97 US institutions.**

## **Court Orders Fed to Disclose Emergency Bank Loans (Update2)**

**Mark Pittman**

**Bloomberg**

**August 25, 2009**

The Federal Reserve must for the first time identify the companies in its emergency lending programs after losing a Freedom of Information Act lawsuit.

Manhattan Chief U.S. District Judge Loretta Preska ruled against the central bank yesterday, rejecting the argument that loan records aren't covered by the law because their disclosure would harm borrowers' competitive positions.

The Fed has refused to name the financial firms it lent to or disclose the amounts or the assets put up as collateral under 11 programs, most put in place during the deepest financial crisis since the Great Depression, saying that doing so might set off a run by depositors and unsettle shareholders. Bloomberg LP, the New York-based company majority-owned by Mayor Michael Bloomberg, sued on Nov. 7 on behalf of its Bloomberg News unit.

"The Federal Reserve has to be accountable for the decisions that it makes," said U.S. Representative Alan Grayson, a Florida Democrat on the House Financial Services Committee, after Preska's ruling. "It's one thing to say that the Federal Reserve is an independent institution. It's another thing to say that it can keep us all in the dark."

### **'Inadequate Search'**

The judge said the central bank "improperly withheld agency records" by "conducting an inadequate search" after Bloomberg News reporters filed a request under the information act. She gave the Fed five days to turn over documents it told the reporters it located, including 231 pages of reports, and said it must look for more at the Federal Reserve Bank of New York, which runs most of the loan programs.

The central bank "essentially speculates on how a borrower might enter a downward spiral of financial instability if its participation in the Federal Reserve

lending programs were to be disclosed,” Preska wrote. “Conjecture, without evidence of imminent harm, simply fails to meet the Board’s burden” of proof.

David Skidmore, a Fed spokesman who said the board’s staff was reviewing the 47-page ruling, declined to comment on whether the central bank would appeal to the U.S. Court of Appeals in New York.

Federal Reserve Chairman Ben S. Bernanke, who led the biggest expansion of the central bank’s power in its 95-year history, was nominated to a second term today by President Barack Obama.

### Banks Worried

Obama promised a new era of government openness when he took office in January, issuing a statement telling agencies “to adopt a presumption in favor of disclosure” in responding to requests under FOIA.

**Banks are worried that the disclosure of borrowers’ identities by the Fed, the lender of last resort, would cause customers to empty their bank accounts in a run on the bank, said Scott Talbott, vice president of governmental affairs at the Washington-based Financial Services Roundtable, a lobbying group.**

**“This issue is: ‘This bank borrowed X billion from the Fed, therefore they must be in trouble, therefore I’m going to pull my money out,’” said Talbott. “That’s the type of danger that we’re worried about. That’s the risk.”**

Bloomberg LP said in the suit that U.S. taxpayers need to know the terms of Fed lending because the public became an “involuntary investor” in the nation’s banks as the financial crisis deepened and the government began shoring up companies with capital injections and loans. Citigroup Inc. and American International Group Inc. are among those who have said they accepted Fed loans.

### ‘Unprecedented Ways’

“When an unprecedented amount of taxpayer dollars were lent to financial institutions in unprecedented ways and the Federal Reserve refused to make public any of the details of its extraordinary lending, Bloomberg News asked the court why U.S. citizens don’t have the right to know,” said Matthew Winkler, the editor-in-chief of Bloomberg News. “We’re gratified the court is defending the public’s right to know what is being done in the public interest.”

The Fed’s balance sheet about doubled after lending standards were relaxed in the wake of the collapse of Lehman Brothers Holdings Inc. on Sept. 15, 2008. For the

week ended Aug. 19, Fed assets rose 2.3 percent to \$2.06 trillion as it continued to buy mortgage-backed securities under a program allowing the central bank to purchase non-government securities for the first time.

## Fed Audits

The U.S. House may vote as soon as next month on a bill to require the Fed to submit to audits by the Government Accountability Office, said Representative Scott Garrett, a New Jersey Republican on the Financial Services Committee.

The judge's ruling "is strikingly good news," Garrett said. "This is what the American people have been asking for."

The Freedom of Information Act obliges federal agencies to make government documents available to the press and public. The Bloomberg suit, filed in New York, didn't seek money damages.

"The public deserves to know what's being done with the money," said Lucy Dalglish, executive director of the Arlington, Virginia-based Reporters Committee for Freedom of the Press. "This ought to be a wake-up call for the public that they need to be far more educated about this."

The case is *Bloomberg LP v. Board of Governors of the Federal Reserve System*, 08-CV-9595, U.S. District Court, Southern District of New York (Manhattan).

## **Morning Call Bloomberg August 26, 2009**

Scott appeared on Bloomberg TV's "Morning Call" last night to speak on the FDIC ruling on Private Equity investing in weaker banks. The clip is currently unavailable.

## **KPT Receives A Facelift MidWeek August 26, 2009 By Midweek Staff**



(from left) Chad Taniguchi, Al Landon, Sen. Daniel Akaka, Nick Griffin, Lt. Gov. James “Duke” Aiona, Sen. Daniel Inouye, Peter Ho and **Ryan Caruso** served as Bank of Hawaii Community Service speakers as part of National Community Service Day 2009, recently held at Kuhio Park Terrace. Sen. Inouye attended the morning program to share a few words with 200 KPT residents and 100 Bank of Hawaii volunteers, who spent the day painting and cleaning 15 apartment units at KPT.

### **Fed told to name companies**

**08/26/2009**

**Mark Pittman BLOOMBERG NEWS**

**Worcester Telegram & Gazette – Online**

Bloomberg News wins federal lawsuit

NEW YORK — The Federal Reserve must for the first time identify the companies in its emergency lending programs, after losing a Freedom of Information Act lawsuit.

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based company majority-owned by Mayor Michael Bloomberg, sued on Nov. 7 on behalf of its Bloomberg News unit.

The Federal Reserve has to be accountable for the decisions that it makes, said U.S. Rep. Alan Grayson, D-Fla., on the House Financial Services Committee, after Preska's ruling. It's one thing to say that the Federal Reserve is an independent institution. It's another thing to say that it can keep us all in the dark.

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Citigroup Inc. and American International Group Inc. are among those who have said they accepted Fed loans.

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The Fed's balance sheet about doubled, after lending standards were relaxed in the wake of the collapse of Lehman Brothers Holdings Inc. on Sept. 15. For the week ended Aug. 19, Fed assets rose 2.3 percent to \$2.06 trillion, as it continued to buy mortgage-backed securities under a program allowing the central bank to purchase non-government securities.

The U.S. House may vote as soon as next month on a bill to require the Fed to submit to audits by the Government Accountability Office, said U.S. Rep. Scott Garrett, R-N.J., on the Financial Services Committee.

The judge's ruling is strikingly good news, Garrett said. This is what the American people have been asking for.

### **Subprime lenders getting foreclosure funds**

**UPI.com**

**August 26, 2009**

Most of the mortgage lenders receiving taxpayer subsidies through a U.S. program to prevent foreclosures specialized in risky subprime loans, advocates say.

The Center for Public Integrity, a non-profit investigative reporting group, says in a report to be released Wednesday 21 of top 25 participants in the \$75 billion Making Home Affordable program engaged in just the type of lending that triggered the mortgage foreclosure crisis, The Washington Post reported.

Bill Buzenberg, executive director of the center, said in a statement much "of this money is going directly to the same financial institutions that helped create the sub-prime mortgage mess in the first place," such as J.P. Morgan Chase, Wells Fargo and Countrywide -- since purchased by Bank of America -- which are all eligible to receive billions of dollars under the program.

**But Scott Talbott, chief lobbyist for the Financial Services Roundtable, told the Post the center's report oversimplifies the causes of the housing crisis and glosses over the complexity of the markets.**

**"Even as unemployment triggers more foreclosures, the industry continues to work with homeowners to provide solutions," Talbott said.**

### **Subprime Lenders Getting U.S. Subsidies, Report Says**

**Renaë Merle**

**Washington Post Staff Writer**

**August 26, 2009**

Many of the lenders eligible to receive billions of dollars from the government's massive foreclosure prevention program helped fuel the housing crisis by issuing risky subprime loans, according to a report to be issued Wednesday by the Center for Public Integrity.

Under the \$75 billion program, called Making Home Affordable, lenders are eligible for taxpayer subsidies to lower the mortgage payments of distressed borrowers. Of the top 25 participants in the program, at least 21 specialized in servicing or originating subprime loans, according to the center, a nonprofit investigative reporting group funded largely by charitable foundations.

Much "of this money is going directly to the same financial institutions that helped create the sub-prime mortgage mess in the first place," Bill Buzenberg, executive director of the center, said in a statement.

For example, J.P. Morgan Chase, Wells Fargo and Countrywide, which has been bought by Bank of America, are eligible to receive billions of dollars under the program, according to the report.

The report comes as the Obama administration is prodding lenders to do more to help borrowers. Less than 10 percent of delinquent borrowers eligible for assistance through Make Home Affordable have received help, according to Treasury Department estimates released this month. The administration is aiming to more than double the number of borrowers helped under the program to 500,000 by Nov. 1.

"Mortgage lenders and servicers have been reluctant to participate in foreclosure prevention programs despite their role in creating the subprime debacle. Intense pressure from Congress and the White House hasn't worked, either," the report said. "The stick has not been effective, so the Obama administration is offering a

carrot -- billions of dollars in incentive payments to lenders and loan servicers to encourage them to participate."

**The report has drawn fire from lenders. It oversimplifies the causes of the housing crisis and misses the complexity of the markets, said Scott Talbott, chief lobbyist for the Financial Services Roundtable, which represents some of the nation's largest lenders.**

**Lenders are working hard to help millions of homeowners through the federal program and other foreclosure prevention efforts, Talbott said.**

**"Even as unemployment triggers more foreclosures," he said, "the industry continues to work with homeowners to provide solutions."**

**Most lawmakers and analysts welcome Bernanke news**

**Daniel Wagner**

**Associated Press**

**August 26, 2009**

WASHINGTON — Analysts, lawmakers and the financial industry generally reacted positively to news that Ben Bernanke would be re-nominated as Federal Reserve chairman. But some offered a dose of constructive criticism.

A sampling of reaction to the news from around Washington and Wall Street:

Christopher Whalen, managing director, Institutional Risk Analytics:

"Bernanke is slowly earning his way back into some kind of credibility with the Street, and it made sense to keep him going. I don't think there were any pressing, wonderful alternatives, politically speaking.

"If he can start to say no and exercise some leadership on fiscal issues ... he could earn his stripes back in a lot of ways that (his predecessor Alan) Greenspan completely missed, simply because he didn't exercise the bully pulpit the way (his predecessor Paul) Volcker did.

"He needs to exercise more independence, to emulate (FDIC chairman) Sheila Bair. That's what an independent agency is for."

Bradley Sabel, partner, Shearman & Sterling LLP and former bank examiner with the Federal Reserve Bank of New York:

"He took some very, very radical steps by having the Fed use (its emergency lending powers) for the first time in 70 years with Bear Stearns. He just decided it had to be done. And then to take the further steps he did in September and October showed amazing foresight and an understanding that there truly was an emergency.

"Is everyone going to agree with everything he's in favor of? No, but you've got to look at the big picture, the things that are most important. In the big picture things — the economy, the plans they've got in place (to continue stabilizing the financial system) — he's done a great job."

Simon Johnson, former chief economist with the International Monetary Fund, now a professor at the Massachusetts Institute of Technology's Sloan School of Management:

"I don't have a better candidate in mind, but I'm worried Bernanke has the same two big weaknesses that Greenspan had: keeping interest rates too low and being super-pro-finance. Greenspan's philosophy was that you don't have to worry about spotting bubbles; you can just clean up after them. Bernanke hasn't said anything different.

"The answer is much tougher regulation and much tougher capital requirements (for banks), and the consensus is moving in that direction. So saying we'll just let bubbles happen is a bad idea — very costly and dangerous."

To show he's evolved, Bernanke "must make a strong statement about the new bubbles, the new risk being taken and the dangers of that. (Bankers) are being told to put on more risk. ... So what has changed from 2002, 2003 — or over the past 20 years? We've had some international crisis every two to three years for the last 20 to 30 years. Bernanke has to show he's ready to make some real changes."

**Steve Bartlett, president and CEO of the Financial Services Roundtable, which represents the largest financial firms, in a statement:**

**"Chairman Bernanke has the resiliency and sound judgment to get the economy back on track."**

Senate Banking Committee Chairman Christopher Dodd, D-Conn., in a statement:

"While I have had serious differences with the Federal Reserve over the past few years, I think reappointing Chairman Bernanke is probably the right choice. Chairman Bernanke was too slow to act during the early stages of the foreclosure crisis, but he ultimately demonstrated effective leadership and his reappointment sends the right signal to the markets.

"I still have serious concerns about the Federal Reserve's failure to protect consumers, and I strongly believe these responsibilities should go to an independent consumer financial protection agency."

House Financial Services Committee Chairman Barney Frank, D-Mass., in a statement:

"I strongly support President Obama's nomination of Ben Bernanke to a second term. He has acted to provide needed liquidity to the economy and has demonstrated that he is fully ready to reverse course when economic conditions dictate."

Sen. Bob Corker, R-Tenn., member of the Senate Banking Committee, in a statement:

"Chairman Bernanke has earned the right to see this through and lead the Federal Reserve through these volatile times. I'm sure he hasn't made all the right calls, but he doesn't have a political cell in his body, and that's what you need in a Fed chairman."

Sen. Chuck Schumer, D-N.Y., in a statement:

"There are legitimate criticisms of the Fed, particularly that it dropped the ball for years on consumer protections. But Chairman Bernanke's confirmation hearing should not be used as a stage by those with wrongheaded political agendas like trimming the Fed's independence. Whatever one's view of the Fed's past lapses, there is no disputing that Bernanke is the best person for the job going forward."

**Obama doubles down on Bernanke**  
**Eamon Javers**  
**Politico**  
**August 25, 2009**

Most people have annual performance reviews to determine whether they get to keep their jobs.

Ben Bernanke has the Dow Jones Industrial Average.

There is no better way to understand President Barack Obama's decision to reappoint Bernanke as chairman of the Federal Reserve on Tuesday morning than to look at the Dow – which was below 8,000 when the president took the oath of office in January, and closed above 9,500 on Monday

“Ben approached a financial system on the verge of collapse with calm and wisdom; with bold action and outside-the-box thinking that has helped put the brakes on our economic freefall,” Obama said Tuesday, taking a break from his vacation in Martha's Vineyard.

With Bernanke by his side, the president heaped praise on the Fed chief. “As an expert on the causes of the Great Depression, I'm sure Ben never imagined that he would be part of a team responsible for preventing another,” the president said. “But because of his background, his temperament, his courage, and his creativity, that's exactly what he has helped to achieve.”

Bernanke himself seemed relieved as he stepped up to the podium after Obama finished speaking. Bernanke thanked the staff of the Federal reserve as well as his wife Anna and two children.

"We have been bold or deliberate as circumstances demanded, but our objective remains constant: to restore a more stable financial and economic environment in which opportunity can again flourish, and in which Americans' hard work and creativity can receive their proper rewards," Bernanke said in brief remarks, and he promised – if confirmed by the Senate – that he would “work to the utmost of my abilities.”

The months-long rally that Wall Street has seen since the darkest days of late February and March will likely be viewed by historians as the result of muscular intervention in the markets by the federal government, and Bernanke was joined at the hip with Obama's team in that effort.

In effect, his reappointment means that the Obama administration is doubling down on the Fed, validating Bernanke's aggressive approach to cutting interest rates and pumping money into the economy – and signaling that Obama wants to stay the course in hopes of turning some recent positive signs in the economy into a full-fledged recovery.

Likewise, a decision by the president to install someone else at the top of the Fed when Bernanke's term expires on Jan. 31 would have been seen as a course

change in the policies that have underscored Obama's approach to the global financial crisis of 2008. And any replacement would have met with howls of protest on Wall Street, where Bernanke is viewed as the man who saved the world economy.

"The president wanted the team that has been working to rescue this economy together," a White House official told POLITICO Monday evening. "This continuity is crucial."

Bernanke had broad support on Wall Street, and industry groups had begun a quiet whisper campaign to bolster his prospects of re-nomination, making sure to mention their high regard for Bernanke in White House meetings called on other subjects.

Bernanke was basking in good press in the hours leading up to his reappointment.

His comments on Friday that prospects for economic recovery appeared good were enough to fuel a stock market boomlet, prompting headlines like this one from the Associated Press on Monday: "Bernanke continues to give world stocks a lift."

Still, the timing of the White House announcement was unexpected, and caught much of Wall Street off guard, given that Obama is on vacation and Congress is out of session. But one financial insider speculated that the administration deliberately released the news Monday evening in order to mute criticism among the Fed's many critics in Congress, who are scattered across the country vacationing and meeting with constituents this week.

And it's true that Bernanke's term has not been without controversy. On Tuesday, Obama said, "Almost none of the decisions he or any of us made have been easy. The actions we have taken to stabilize our financial system, repair our credit markets, restructure our auto industry, and pass a recovery package have all been steps of necessity, not choice."

"They have faced plenty of critics, some of whom argued that we should stay the course or do nothing at all. But taken together, this 'bold, persistent experimentation' has brought our economy back from the brink," he said. Under Bush last year, Bernanke faced questions over the Fed's failure to anticipate and prevent the global financial wipe-out in the first place.

More recently, the Fed has come under increasingly vocal criticism on Capitol Hill for its seemingly unilateral decisions to bail out particular companies – including

some at the heart of the global meltdown, like AIG, Citigroup and Bear Stearns. Earlier this summer, Senate Banking Committee chairman Chris Dodd (D-Conn.) said he and others did not have “a lot of confidence in the Fed at this point.”

Also, at least one chapter on Bernanke’s policies is still to be written — whether the Fed can manage to nurse the economy back to health without an outbreak of inflation, given the trillions of dollars in capital that have gushed into the system during the rescue phase.

But after news of Obama’s decision broke on Monday evening, effusive praise for Bernanke began to roll in from the trade groups that represent Wall Street in the nation’s capital.

“He is held in high regard by many in the financial services sector and the president made a shrewd choice in re-appointing him,” said Rob Nichols, President and COO of the Financial Services Forum. “Our nation is fortunate to have his continuing leadership.”

**“We are supportive of the decision to nominate the Chairman to a second term,” said Scott Talbott, senior vice president of government affairs at the Financial Services Roundtable. “He has demonstrated leadership during this crisis and the economy will benefit from his experience and intimate knowledge of the financial markets.”**

White House Chief of Staff Rahm Emanuel, Treasury Secretary Timothy Geithner and Obama adviser Larry Summers all recommended to the president that Bernanke be retained to ensure this continuity. Summers, who was once viewed as a possible candidate for the Fed job, is staying on as the president’s top economic adviser.

Summers’s tempestuous personality and Bernanke’s strong performance in office made it increasingly unlikely in recent months that Obama would make a switch.

Also mentioned in Washington recently as possible candidates were two female candidates, Janet Yellen, the Chief Executive Officer of the Federal Reserve Bank of San Francisco, and Christina Romer, who chairs Obama’s Council of Economic Advisors.

Bernanke came to the job in 2006, appointed by President George W. Bush to succeed Alan Greenspan. A student of the Depression, Bernanke had become convinced that the Federal Reserve itself had caused that epic collapse in 1931 when it failed to respond forcefully enough to the collapse of several global banks,

and allowed the recession that followed the stock market crash of 1929 to erupt into a full blown depression.

"I was not going to be the Federal Reserve Chairman who presided over the second Great Depression," Bernanke told a PBS audience this summer. "I had to hold my nose and stop those firms from failing. I am as disgusted about it as you are."

Born on December 13, 1953, Bernanke was raised in South Carolina and went on to Harvard, where he majored in economics. He received a PhD in economics from MIT in 1979 and then became a professor at the Stanford Graduate School of Business. He later chaired the economics department at Princeton until his appointment to the Board of Governors of the Federal Reserve in 2002.

Bernanke himself has not been shy in mounting what some saw as a very public bid for re-nomination. Earlier this summer, he gave a lengthy interview to CBS's 60 Minutes – an almost unheard of proposition for a Fed Chairman. Greenspan typically made sure that his comments to reporters were safely off the record and that his public pronouncements were inscrutable.

But Bernanke was filmed walking around his home town of Dillon, S.C., and talking about his humble roots with reporter Scott Pelley. And Bernanke held a town hall-style meeting in Kansas City, Mo., moderated by PBS anchor Jim Lehrer.

There, he took questions from citizens who were angered and confused by the economic collapse and the Fed's response to it. He appeared almost like a political candidate in a campaign debate, using his thumb and forefinger to emphasize his points, and even having a Clinton-style I-feel-your-pain moment with a questioner angry about the federal bailouts for the big banks that caused the collapse. It reflected a much more high-profile approach to the job than the nation has seen before.

Obama, too, has moved to give the Fed a bigger role, releasing a regulatory reform proposal earlier in the year that granted huge new powers to regulate the overall economy to the unelected body.

Obama's decision to reappoint Bernanke to a second term makes it more likely that he will become the same kind of long tenured chairman that his predecessor was. Greenspan served from 1987 to 2006, prompting some critics to complain that the Fed chairmanship had become an almost imperial role. Obama, however, seems quite comfortable having his own Greenspan in place for the years ahead.

**BoNY Mellon CFO brings needed restructuring skills to RBS role**  
**Melanie Stern**  
**Financial Director**  
**25 Aug 2009**

Three-times CFO Bruce Van Saun completes Hester's management overhaul.

Former Bank of New York finance director Bruce Van Saun will start work as finance director of Royal Bank of Scotland on 1 October, completing the overhaul of the RBS board and bringing to bear his restructuring experience from the BoNY merger with Mellon Financial.

Replacing Guy Whittaker, whose departure was announced by RBS in May, Van Saun will work alongside former Abbey CFO Nathan Bostock, who joined RBS as its head of restructuring and risk in June.

Van Saun is an eminently logical choice for RBS FD having been a group CFO in the banking industry three times. He spent four years as CFO and chief operating officer for Wasserstein Perella from 1990, followed by three years as North America CFO for Deutsche Bank. In 1997 he joined BoNY as CFO, remaining in that role for nine years.

A finance and general management MBA, he added vice-chairman to his title in 2005 while still serving as CFO. The following July, he moved out of the finance function to become head of asset management and private banking – which proved a short sojourn as he was recalled as group CFO that September to oversee the merger with Mellon Financial. He remained there for a year after completion to integrate BoNY and Mellon's financial reporting structures and establish its combined financial and global markets businesses, before stepping down last July.

Like Van Saun, Whittaker imported deep US markets knowledge into RBS when he was appointed CFO by Sir Fred Goodwin in 2006, having spent 25 years in New York with Citigroup, latterly as group treasurer under then-CFO Sallie Krawcheck.

RBS CEO Stephen Hester said Van Saun's "significant restructuring and integration expertise will prove invaluable as we work towards rebuilding standalone strength."

In his time with BoNY, Van Saun was involved in more than 80 acquisitions and two major divestitures. **He also brings connections to Capitol Hill by way of his representative place on the Financial Services Roundtable, a powerful lobby of American banking CEOs.**

**Obama taps Bernanke for second term**

**Obama says he will nominate Ben Bernanke to lead Federal Reserve for another 4 years.**

**Jennifer Liberto,  
CNMoney.com senior writer  
August 25, 2009**

WASHINGTON (CNMoney.com) -- President Obama announced Tuesday that he plans to nominate Ben Bernanke to a second term as head of the Federal Reserve.

"Ben Bernanke, has led the Fed through the one of the worst financial crises that this nation and this world have ever faced," Obama said from Martha's Vineyard, Mass., as Bernanke stood by his side. "As an expert on the causes of the Great Depression, I'm sure Ben never imagined that he would be part of a team responsible for preventing another."

Obama said that Bernanke's "background, temperament, his courage, and his creativity" helped him to prevent another Great Depression.

Bernanke, a Republican, has played a central role in the government's extraordinary response to the recession and 2008 banking panic.

Bernanke will have to be confirmed by the Senate. His term ends on Jan. 31. Fed chairmen serve four-year terms.

The question of Bernanke's reappointment had been the focus of much speculation. Recently many economists and insiders had said they believed that he would more than likely keep his job.

The Fed has drawn criticism for not taking a stronger hand earlier in the crisis and for their part in inflating the housing bubble by keeping interest rates low for so long.

"The Federal Reserve like other economic policymakers has been challenged by the unprecedented events of the past few years," Bernanke said Tuesday. "We have been bold or deliberate as the circumstances demanded, but our objective remains constant to restore a more stable financial, and economic environment in which opportunity can again flourish and Americans' hard work and creativity can receive their proper rewards."

The Fed is charged with examining bank soundness, as well as checking the cost and availability of money and credit in the economy. Given the more than \$1 trillion the Fed has printed to get the credit markets moving, there's a renewed focus on watching for signs of inflation.

Over the past three decades, the country has had only three Fed chairmen. New presidents have tended to keep Fed chiefs in place regardless of political party to maintain continuity in monetary policy and confidence in the markets.

Paul Volcker was appointed by President Carter in 1979 and retained by President Reagan. Alan Greenspan, a 1987 Reagan appointee, served under four presidents including President Clinton.

Bernanke, 55, was appointed to the top job in 2006 by President George W. Bush, after serving as Bush's chair of the Council of Economic Advisers.

An expert on the Great Depression, Bernanke previously chaired the economics department at Princeton University. He also did a three-year stint on the Fed's board of governors ending in 2005.

On Tuesday, Obama praised the Fed chairman and made it clear he wants him to be a part of the team that strengthens financial regulation to prevent future crises.

"We have already seen how lax enforcement and weak regulation can lead to enormous wealth for a few and enormous pain for everyone else," Obama said. "And that's why even though there is some resistance on Wall Street from those who prefer things the way they are, we will pass the reforms necessary to protect consumers, investors, and the entire financial system."

Obama also said that the expected change ahead would come with "debate and disagreement and resistance from those who prefer the status quo."

That debate is likely to play out in the Senate, which has bumped heads with Bernanke over the past several months. Bernanke's confirmation hearing could get tense.

Sen. Chris Dodd, D-Conn., chairman of the Senate Banking Committee, said in a statement Monday night that he supported Bernanke's nomination as the "right choice," but he noted that he has had "serious differences" with the Fed under Bernanke's tenure.

"Chairman Bernanke was too slow to act during the early stages of the foreclosure crisis, but he ultimately demonstrated effective leadership and his reappointment sends the right signal to the markets," Dodd said in a statement.

Dodd said he expected that lawmakers would raise "many serious questions" about the Fed's role and authority.

Overall, veteran Fed watchers say Bernanke's reappointment is a good thing and sends a political message to Congress.

**"I think, obviously, there are those who have concerns and criticisms, but the president's reappointing him is a strong vote of confidence," said Scott Talbot of the Financial Services Roundtable, a business lobbying group that approves of the reappointment.**

Alice Rivlin, who served as White House budget director in the Clinton administration and later vice chairwoman of the Fed, said she was pleased but not surprised by Tuesday's announcement.

"It's the right thing for the president to do, because he's done a very good job, the best job that could have been done during these horrendous economic times," said Rivlin, who directs the Greater Washington Research project at the Brookings Institution. "It would have been hard to find someone better."

### **Fannie Mae chief named bank bailout chief**

**08/25/2009**

**Associated Press**

**Cleveland.com (Plain Dealer - Online)**

WASHINGTON -- The White House turned to an experienced former investment banker Friday to run the federal government's \$700 billion bank rescue effort, selecting the head of mortgage giant Fannie Mae as an assistant Treasury secretary.

Herbert Allison Jr., Fannie Mae's president and CEO, will replace Neel Kashkari, a holdover from the Bush administration.

Allison, who must be confirmed by the Senate, would bear the title of assistant Treasury secretary for financial stability and counselor to Treasury Secretary Timothy Geithner.

He would be in charge of the Troubled Asset Relief Program, the fund that has injected billions of dollars into banks in hopes of unclogging credit. He would inherit a program that has been sharply criticized in Congress and which banks have come to view warily because of the restrictions attached to receipt of its funds.

President Barack Obama's administration has been slowly filling Treasury positions, hindered by candidates who have either withdrawn from consideration or been caught up in the vetting process.

Allison's selection presents the administration with yet another challenge. If Allison is confirmed, both Fannie Mae and Freddie Mac would be without chief executives. David Moffett, formerly Freddie Mac's CEO, resigned in March.

In Allison, the White House selected a former Merrill Lynch investment banker who became chairman of the retirement fund manager TIAA-CREF. Allison served as finance chief for John McCain's 2000 campaign for the Republican presidential nomination. But politically, Allison has shown himself to be bipartisan in his allegiances, contributing to both Democrats and Republicans, according to Federal Election Commission records.

Since taking over in September at Fannie Mae, where he took no salary, Allison, the son of an FBI agent, developed a reputation for open-mindedness with consumer advocates, even those who have had an contentious relationship with the giant company.

**"Mr. Allison is well-positioned to lead the TARP," said Scott Talbott, chief lobbyist for the Financial Services Roundtable, an industry group. "He has a wealth of experience with buying, selling, protecting, and managing assets to protect the taxpayer investment and strengthen the economy."**

Some industry officials said that by pulling Allison away from Fannie Mae, the White House was signaling that TARP would remain a viable component of the government's stabilization efforts for the financial industry, even in the face of hostile lawmakers and wary bankers.

Bert Ely, a banking industry consultant in Alexandria, Va., said Allison has the advantages of being a known quantity to the Obama administration who is "much more of a financial heavyweight" than Kashkari.

Plus, he said, the new job would likely be more of a challenge than running Fannie and Freddie, which have been operating under tight government oversight since last September. "In this new situation, he's going to be much more of a policymaker," Ely said. "I can understand why he would want to take it."

## **Obama reappoints Bernanke to second term as Federal Reserve Chair**

**8/25/2009**

### **National Mortgage Professional Magazine**

United States President Barack Obama has announced the reappointment of Federal Reserve Chairman Ben Bernanke to a second term at the helm of the Federal Reserve Board. "I would like to express my gratitude to President Obama for the confidence he has shown in me with this nomination and for his unwavering support for a strong and independent Federal Reserve," said Bernanke on news of the reappointment. "It has been a particular privilege for me to serve with extraordinary colleagues throughout the Federal Reserve System. They have demonstrated remarkable resourcefulness, dedication, and stamina under trying conditions. Through the long nights and weekends and the time away from their families, they have never lost sight of the critical importance of the work of the Fed for the economic well-being of all Americans. I am deeply grateful for their efforts."

News of President Obama's reappointment of Bernanke coincided with a strong gain in stocks on Wall Street and a report on gains in the housing market. According to an [S&P/Case-Shiller report](#), home prices rose 2.9 percent in the second-quarter of 2009 versus the first quarter, marking the first quarterly rise in prices in three years. The 20-city index declined 15.4 percent in June versus a year ago, but that was shy of forecasts for a drop of 16.4 percent versus a year ago.

**“Chairman Bernanke has the resiliency and sound judgment to get the economy back on track,” said Steve Bartlett, president and CEO for the Financial Services Roundtable and the Housing Policy Council. “We applaud the Administration for acting in the best interest of the American people. The Roundtable looks forward to continuing to work with the Fed to reform the financial regulatory system.”**

**The Roundtable's Housing Policy Council is made up of 26 companies that are among the nation's leaders in mortgage finance. Member companies originate sixty-five percent of the mortgages for American homebuyers. Member companies participate in the Council through the senior mortgage executive in their company. The Financial Services Roundtable represents 100 of the largest integrated financial services companies providing banking, insurance, and investment products and services to the American consumer. Member companies participate through the chief executive officer and other senior executives nominated by the CEO.**

"The Federal Reserve, like other economic policymakers, has been challenged by the unprecedented events of the past few years," said Bernanke. "We have been bold or deliberate as circumstances demanded, but our objective remains constant: to restore a more stable economic and financial environment in which opportunity can again flourish, and in which Americans' hard work and creativity can receive their proper rewards."

### **White House makes 'pay czar' the agent against big bonuses**

**08/25/2009**

**Lengell, Sean**

**Washington Times**

The Obama administration, which only months ago was blasting Wall Street for paying huge executive bonuses at failing companies, has quietly toned down its rhetoric in recent days about outsized corporate pay packages.

But the White House hasn't abandoned its push to curb executives' compensation at financial institutions that received taxpayer bailouts. Instead, it has handed off the task to its "pay czar," Kenneth Feinberg, who has worked behind the scenes to draft compensation guidelines for the top employees at several struggling financial firms.

Mr. Feinberg's role as an outside overseer helps insulate the White House from the appearance of meddling in the private sector while capitalizing on populist rage aimed at bailed-out firms such as Citigroup and insurance giant American International Group (AIG).

"It's a savvy approach in a host of ways," said Norm Ornstein, a political specialist with the American Enterprise Institute for Public Policy Research, a conservative Washington think tank.

"You don't want to make it look as if government is stepping in and running business. .. At the same time, you can't sit back and let companies that have been bailed out by the government follow their old compensation practices without getting in an enormous public populist backlash"

When news broke last week that AIG President and Chief Executive Officer Robert Benmosche had been given an annual salary of \$7 million plus long-term incentive awards worth up to \$3.5 million a year, the administration's reaction was unexpectedly subdued.

"The president has talked about we're not micromanaging these companies," White House press secretary Robert Gibbs said. "Government's not making these decisions."

Mr. Gibbs' comments were in sharp contrast to White House rhetoric in March after AIG revealed that it had paid at least \$165 million in bonuses to top executives - a move that Mr. Obama at the time called an "outrage."

Mr. Feinberg, appointed in June to serve as executive compensation "special master" for corporate recipients of the \$700 billion Troubled Asset Relief Program, this month began a 60-day review of pay packages at seven companies that received "exceptional" government assistance: AIG, Citigroup, Bank of America, General Motors, Chrysler and the financing arms of the two automakers.

Mr. Feinberg will review - and eventually accept or reject - the companies' compensation packages for their top 25 employees. Later, he will review broader compensation formulas for the 75 next highest paid workers at each company.

Obama senior adviser Valerie Jarrett, in a recent interview with Bloomberg News, said that the administration hasn't been briefed on Mr. Feinberg's negotiations and that neither the president nor his staff will be involved in Mr. Feinberg's decision.

"The expectation is that Ken will do his own independent assessment," said Ms. Jarrett, Mr. Obama's chief liaison to the business community. "His charge is to really balance retaining talent, aligning compensation appropriately with performance and making sure that we protect our investment."

Mr. Feinberg, a high-profile lawyer and mediator who received praise for running the government's fund for families of Sept. 11 victims, was the perfect choice for pay czar, Mr. Ornstein said.

Mr. Feinberg "is able to find a kind of sweet spot here - understand the larger political problems and the sensitivities, empathize with the people involved, but

make sure that you keep things within some reasonable range," he said.

**Scott Talbott of the Financial Services Roundtable, a trade group representing some of the nation's biggest financial services firms, agreed that the administration's selection of Mr. Feinberg to broker compensation agreements was a good idea.**

**"With accepting government money comes restrictions, and we get that," he said. "We are fine with Mr. Feinberg and his role."**

**But Mr. Talbott, the Roundtable's head lobbyist, said it would be wrong to assume that either the administration - or Congress - is any less committed to imposing pay and bonus restrictions on company executives than was the case earlier this year.**

**"They've taken a sort of measured approach to compensation," he said.**

The House last month passed a bill that would give federal regulators the authority to cap pay incentives if they think the provisions would encourage bankers and other financial executives to take risks that could threaten the economy or the viability of their companies.

The measure includes an administration-backed "say-on-pay" provision that would give company shareholders annual, nonbinding votes on top executives' compensation, including lucrative arrangements such as "golden parachutes." The Senate is expected to take up the bill when Congress returns from recess next month, but the bill's prospects there are much less certain.

**Mr. Talbott noted that the say-on-pay provision in the House bill would pertain to all publicly traded companies - not just companies rescued by the government.**

**"This represents the government taking a giant step inside the day-to-day operations of corporate America," he said.**

Republicans also have criticized the White House-backed compensation bill, saying it would be an inappropriate government intrusion into the private sector.

"Our economy has achieved success not through greater government interference and regulation but through competition and rewards," said Rep. Tom Price, Georgia Republican, after voting against the House bill July 31.

Rep. Spencer Bachus of Alabama, the top Republican on the House Financial

Services Committee, added that if the legislation becomes law, it would bring "unprecedented authority to unelected Washington bureaucrats to decide the pay of every American at every financial institution."

**Credit-card rewards shrink as issuers amend programs**  
**Winston-Salem Journal**  
**August 23, 2009**

**CONSUMERS ADVISED TO REGULARLY INSPECT CARDS' TERMS FOR CHANGES**

Credit-card rewards programs are suddenly less rewarding.

Months before a new law restricting the credit-card industry's ability to raise interest rates and charge fees takes effect, card issuers are scaling back programs that offer lucrative rewards such as frequent-flier miles and cash rebates. Now many customers have to pay additional fees or earn more points to redeem free plane tickets or claim cash-back perks.

"Consumers should understand that rewards programs are unstable right now, and a lot of the best programs are changing. And almost without exception they are changing to the benefit of the bank and the disadvantage of the cardholders," said Joe Ridout, a spokesman for Consumer Action.

On Sept. 1, American Express will increase to \$99 from \$75 the maximum fee that customers in its Membership Rewards program pay to transfer points to any U.S. airline loyalty program. In June, the company reduced its rebate to Blue Cash cardholders for all purchases except everyday ones such as gas and groceries to 1.25 percent from 1.5 percent.

Discover has eliminated one of three tiers in its cash-back program. Previously, customers received 0.25 percent of the first \$1,500 spent, 0.5 percent for the next \$1,500, and 1 percent for anything above \$3,000. Now they will receive 0.25 percent back for the first \$3,000 spent and 1 percent above that.

Citi has altered its travel-redemption program. Previously, customers could redeem a domestic round-trip airline ticket valued at up to \$400 for every 20,000 points earned. Now, the same ticket would require 40,000 points.

The changes follow warnings from bank executives that the new law, which takes effect in February, will limit their ability to set interest rates and fees based on each borrower's risk. That, in turn, would make lending money more expensive,

forcing them to withhold credit, charge new customers higher rates and increase annual fees, the executives have argued. Now they say that scaling back rewards programs could be another consequence as they try to make up for the losses they expect to incur.

"Valuable rewards programs are still out there for consumers, and they need to look for them," said Ken Clayton, the senior vice president for card policy at the American Bankers Association. "That being said, in tough economic times with increased regulation on the ability to handle risk, it does affect the economics of the products."

Since emerging in the 1980s, rewards programs have evolved into a common way for card companies to entice new customers. In the era of easy money, issuers competed for customers by offering increasingly creative rewards, such as concert tickets and electronic gadgets. The programs became so plentiful that people learned how to game the system, snapping up multiple cards just to collect the perks.

Now as more cardholders have failed to pay their bills, companies have written off a record-high percentage of debt and are less eager to dangle rewards in front of any but the most creditworthy customers, industry analysts say.

"The days of the free-flowing rewards and 5 percent rebates where the customer has the pick of the litter and 20 different offers in the mailbox are over," said Curtis Arnold, the founder of CardRatings.com, a Web site that compares credit-card offers.

Card issuers have also become more punitive. People who make two consecutive late payments to Discover, for instance, forfeit all their frequent-flier miles. Starting in September, American Express Blue card customers who make a late payment will lose any reward points earned that month. They can reinstate points for \$29 for each month that the rewards were forfeited.

"Consumers now need to pay even more attention towards being late and the effects that might create on their rewards programs," said Odysseas Papadimitriou, the chief executive and founder of CardHub.com, which evaluates credit cards. In examining the terms and conditions of six major card issuers, Papadimitriou found that all reserve the right to take miles from delinquent customers.

Card issuers say they are simply responding to the economy. "With rewards, things are constantly evolving. You're adding things and value, but there are times when because they are costly, there are changes you have to make to offset the cost," said Desiree Fish, a spokeswoman for American Express.

Still, they said, some of the changes they are making benefit consumers.

Although American Express scaled back some rewards programs, it added perks to others. For instance, cardholders can get double miles for gas and grocery purchases until March 31.

Matthew Towson, a spokesman for Discover Financial Services, said eliminating the tier that gave customers 0.5 percent cash back on purchases between \$1,500 and \$3,000 simplified the program and had minimal impact on cardholders. At the same time, he said, the company has added other popular features such as a one-month program in which customers were able to earn 5 percent cash back when they used their cards at warehouse clubs and restaurants.

Chase has taken up one of the most dramatic overhauls of rewards programs.

The company's Freedom card used to give customers a fixed 3 percent cash-back bonus for spending in any three of 15 categories. In November, the program was tweaked to give new customers 1 percent back on every purchase, with no limitations by category, caps or expiration dates. They could earn 3 percent back in categories that changed each quarter.

Now Chase has launched a new program called Ultimate Rewards, which will let customers earn one point per \$1 spent with no earnings cap or expiration date. Customers can redeem the points for cash back, gift cards, airline tickets or merchandise from merchant partners. Originally, Chase was going to give customers the option of paying a \$30 annual fee to keep the 3 percent cash back bonus but decided against that in July, a spokeswoman said.

"When you combine the breadth and depth of earning opportunities with a much broader array of ways to redeem ... we think the card is the best out there," said Rob Rosenblatt, the general manager of loyalty programs for Chase Card Services.

Industry analysts and officials said that such changes could become the norm as the industry adapts to a new era of regulation.

**"Once we sort of get to a new equilibrium and new status quo in a couple of years, rewards programs will be continue to be part of the landscape," said Scott Talbott, the senior vice president of government affairs for the Financial Services Roundtable, an industry group. "However, the benefits offered will continuously expand and contract for all income classes. As credit tightens under the new law, rewards programs could suffer, especially for lower- and moderate-income Americans."**

In the meantime, consumer advocates recommend that cardholders regularly inspect their terms and conditions for any changes. But they have to be careful, advocates said, because notices of such changes are often not clearly labeled.

**Financial Industry Is in Group's Sights  
Veteran Activist Calls Coalition's Goal Of Reform a 'David and Goliath'  
Fight Brady Dennis  
Washington Post Staff Writer  
Saturday, August 22, 2009**

At a crowded Capitol Hill news conference recently, Rep. Barney Frank (D-Mass.) had just promised a "national debate" this fall on the Obama administration's proposed financial reforms when a pending House vote demanded his presence.

After he departed, a mild-mannered woman named Heather Booth stepped to the podium.

"I'm the director of Americans for Financial Reform," she said, speaking at first with a softness that belied her four-decade history of full-throated activism. Soon her voice rose in the stuffy room, brimming with indignation about how an out-of-control banking industry must never be allowed to inflict the kind of anguish on Americans that it has during the current crisis.

"This is a David and Goliath fight," said Booth, 63. "On the one side, you have the extraordinarily powerful financial industry and the Chamber of Commerce on their side. And on the other side, you have the people." She added, "We know what true comprehensive financial reform is, and we aren't going to stop until we get it."

A month later, in a borrowed second-floor office on K Street, Booth and a handful of staff members are trying to figure out how to win that fight against the business lobbyists who line that strip of downtown.

The coalition has signed on nearly 200 consumer, labor and civil rights organizations across the country and has undertaken the first steps in what it hopes will become a nationwide grass-roots campaign to build support for aggressive reform. It has held scores of meetings with lawmakers on the House Financial Services and Senate Banking committees. It has hired a communications firm and begun to discuss a possible advertising blitz later in the year. This week, the

group's advocates began working on the ground in 16 states, from Florida to California.

Still, the fledgling coalition faces lawmakers and an American public that, at least for now, are preoccupied with the contentious debate about the future of the nation's health-care system. It faces the difficulty of raising money -- the goal is \$5 million -- during a recession. Perhaps most important, it faces a banking lobby that is well funded, well organized and determined to safeguard the interests of the industry.

The group still lacks resources and visibility, but Booth insists it has a firm hold on the moral high ground.

"What's really on our side is honesty, truth, decency, fairness, accountability and all the values that we prize in this country," she said.

As the national debate that Frank promised unfolds in the coming weeks, Booth and others are hoping their coalition can add a voice that has been absent -- or at least muted -- during previous debates.

"What we're really hoping to do with is bang a big drum outside the beltway," said Ed Mierzwinski, consumer program director at the U.S. Public Interest Research Group and a coalition member. "What we're trying to do is make as much noise as the banks."

If there's one thing Booth knows, it's how to make noise.

### **Life of Activism**

Booth grew up in Brooklyn and Long Island in a family "that really believed in the golden rule," she said, "that you treat others with dignity, decency and respect, that you should have some basic fairness in society."

She enrolled in the University of Chicago in the early 1960s and soon became active in the civil rights and antiwar movements. She joined the Student Non-Violent Coordinating Committee and volunteered in Mississippi. In 1965, Booth organized "Jane," a group of Chicagoans who helped other women find illegal abortion providers until the Supreme Court legalized the practice in 1973. She met her husband, Paul Booth, a founder of Students for a Democratic Society, at a sit-in protesting the selective service. They have two children and three grandchildren.

In the early 1970s, Booth founded Chicago's Midwest Academy, which has trained thousands of citizen activists to organize powerfully and effectively for progressive causes. She has headed up numerous efforts for labor and consumer advocacy groups along the way and worked for many Democratic organizations.

She has received praise for her work, but also scorn from conservatives.

In June, for example, Booth was referred to on commentator Glenn Beck's television show as "a true believer, Kool-Aid drinker," whose beliefs amount to "socialist nonsense."

Booth remains unapologetic. She likens the current push for meaningful financial reform to her early days as a civil rights activist.

"I view this as a continuation of that struggle," she said. "This is about people's everyday life -- whether you can keep your home, whether you have credit, whether your kids have any promise of a future. That's similar to other fights for democracy and fairness."

### **First Things First**

The first clash will unfold next month, when Frank and his committee move forward on legislation that would create a controversial new agency to oversee consumer financial products such as credit cards and mortgages.

"It's become the tip of the spear," Booth said. "The largest institutions have lined up against it. There's a juggernaut against this."

Business groups have swarmed Capitol Hill to warn that another layer of government regulation could increase costs, stifle innovation and curtail choices for consumers. They say an agency responsible only for consumer financial products wouldn't necessarily look after the health of the firms providing them and would exacerbate the patchwork nature of current regulation. Although most lobbyists doubt they can actually prevent the creation of a new agency, many hope to curtail its proposed scope of powers. Booth and company are hoping to preserve and even strengthen its role.

Whatever the outcome, other battles lie ahead, such as mortgage and foreclosure relief, the regulation of shadow markets and who will serve as a systemic risk regulator for the economic system. How much influence Americans for Financial Reform can exert in each issue remains unclear.

**"Activists generally rely more on emotional arguments, whereas lobbyists rely more on logic and economic arguments," said Scott Talbott, chief lobbyist at the Financial Services Roundtable, which represents the nation's largest financial firms. "The logic usually prevails."**

Others, like House Financial Services Committee spokesman Steve Adamske, welcome the new coalition's efforts.

"Their role is extremely helpful," Adamske said. "Our members need to hear from all sides. If they're just hearing from one side, the consumer issues get lost a lot of times."

Booth and her allies see this fall as a historic opportunity. The current crisis has touched nearly every American in palpable ways, they say, and led to sustained outrage against the country's largest financial institutions. In addition, the new president has made regulatory overhaul an important part of his agenda, and his party holds a majority in Congress.

"We don't get these chances very often. It's a moment in time," Mierzwinski said. "Congress very rarely talks about something as big as what they're talking about. It's a big fight."

A fight Booth plans to boil down to one essential question:

"The people or the biggest banks," she said. "Which side are you on?"

## **Should Bank CEOs Direct Employees to Scuttle Consumer Protection Agency?**

**By Alain Sherter**

**08/24/2009**

**BNET**

Its no secret that the American Bankers Association wants to torpedo the proposed Consumer Financial Protection Agency. Now the group also wants bank leaders to dragoon employees into opposing it. Says the ABA, the industrys leading trade organization, in an August 21 entry in the Whats News section of its Web sit (the item has since been taken down):

The administration will make passage of legislation to create a Consumer Financial Protection Agency a priority when Congress returns from its August recess. For that reason, ABA continues to urge bank CEOs to ask their employees

to send letters to members of Congress opposing the creation of the consumer agency.

With Congress re-opening for business in September, the fight over the CFPA is intensifying. The ABA of course isn't alone in pressing lawmakers to pull the plug on the CFPA. Other industry lobbyists seeking to scuttle the plan are the Independent Community Bankers Association, Mortgage Bankers Association, Consumer Bankers Association, American Financial Services Association and **Financial Services Roundtable**.

Joining them is a motley collection of interests: the American Institute of Certified Public Accountants, American Resort Development Association, Building Owners and Managers Association, Direct Marketing Association, Interactive Advertising Bureau, National Association of Home Builders, National Automobile Dealers Association, The National Business Coalition on E-Commerce and Privacy, Property Casualty Insurers Association of America and Rodeo Clown Mutual Assurance Society.

OK, the last ones fictional, but you get the picture. Such groups are reportedly considering TV ads modeled on the Harry and Louise spots used by insurance companies to sink health care reform in the 1990s.

The CFPA is a response to the mortgage crisis, when lending standards all but disappeared. The agency would supervise bank loans, credit cards and other financial products, setting standards for mortgages and enforcing new laws aimed at protecting consumers from unfair or deceptive practices.

Beyond reining in some of the worst excesses of the housing crisis, there are good reasons for a CFPA. First, and most obviously, the existing bank regulators not merely failed to safeguard consumers, they willfully ignored the mounting dangers.

For example, the Federal Reserve has done nothing to stop banks from imposing exorbitant overdraft fees, which continue to climb during the recession. The Office of Thrift Supervision, which banks actively sought out as a regulator because of its lax supervision, has preempted state laws in allowing usurious bank payday loans on prepaid cards. The Office of the Comptroller of the Currency barred states from enforcing their own fair lending laws, a position recently struck down by the Supreme Court. All three agencies have failed to ensure that financial institutions provide accurate data to credit reporting agencies.

It's a dismal record, and one that long predates the subprime bubble. Meanwhile, there are several layers of irony to financial institutions trying to smother the

CFPA. The most obvious is that banks, which in recent years developed all manner of risky loans while chucking their lending standards out the window, contend the proposed agency will limit their ability to market all manner of loans. For another, many of the banks opposed to the idea of an agency to protect consumers are alive today because those consumers, as loyal taxpayers, have protected them by extending the mother of all low-interest loans.

The banks are healing. Good for them (and for us). But let's not forget, as the dividends start to fly and as housing sales reignite, how we got into this mess. If a systemic regulator is required to protect financial firms from themselves, a consumer protection agency is required to protect us from them.

**The Situation Room with Wolf Blitzer**  
**CNN**  
**August 20, 2009**

Scott appeared on CNN to speak on credit cards and bank fees. Clip is currently unavailable.

**Credit Card Precautions**  
**Jessica Duff**  
**Today's THV**

New federal protections for credit card users kicked in Thursday. But in advance of the tougher rules, banks have been raising fees and interest rates. Jessica Duff has more on how to keep an eye on your credit card bills with a helpful website in today's Web report.

You might want to check the fine print on your next credit card bill. Interest rates are soaring and some of the biggest hikes are coming from banks that are taking billions of bailout dollars from the government.

26-year-old Matthew St. Clair has been digging his way out of the \$12,000 mound of debt he racked up in college. He's made quite a dent, but was alarmed by a recent bill.

"We're increasing your rate. That caught my attention."

St Clair learned that American Express raised rates on cash advances by 4 percentage points. Enough, he says, for him not to use it, because his rate would then be 25.24%.

American Express cites the business and economic environment for the hike. And it's not alone. Those who follow the credit card industry report widespread hikes of rates and fees.

"We've seen a dramatic tick up... particularly in the last 60 to 90 days," says Curtis Arnold with CardRatings.com.

Adam Levin, founder of Credit.com, says credit card issuers are raising rates while they still can. Phase One of reform legislation signed by President Obama in May is now kicking in with the bulk of the new rules to follow in February.

"They're using this period of time in order to jockey and front run implementation of the legislation," says Levin.

The website Bill Shrink compared cards between January and June and found of major issuers, Capitol One changed rates the most raising purchase rates and balance transfers 50%.

When asked about changing rates, Capitol One said it had to make "adjustments to reflect external conditions."

The Pew Safe Credit Cards Project surveyed hundreds of credit card providers and found, even the lowest advertised rates went up 20% to 11.99% in the first half of the year.

Pew Safe Credit Cards Project worker Shelley Hearne says "it happened at a time when banks were actually getting money from the federal government."

But the group representing the credit card industry says they're NOT out to get customers.

**"The bulk of Americans are seeing a change in their interest rate or in their credit limit because of a change in the borrowers' risk profile," adds Scott Talbott of Financial Services Roundtable.**

But Matthew St Clair says he doesn't get it since his profile has improved as he's whittled down his debt. He's hoping to avoid using credit cards in the future, but worries about his friends.

"I've got friends now that are filing for bankruptcy at 26. So that's something my parents didn't see in their lifetime but it's pretty common with my friends which is pretty scary truthfully."

Among the new rules starting in February: there will be tighter restrictions on cards issued to anyone under 21.

## **Reforms Looming, Card Issuers Hike Fees**

**Kelly Wallace**

**CBS Evening News**

**August 20, 2009**

(video)

<http://www.cbsnews.com/stories/2009/08/20/eveningnews/main5256257.shtml>

(CBS) Help is one the way for struggling credit card holders. Starting today companies must give consumers 45 days notice of any rate increases instead of 15 days. Consumers can opt out and pay their balances off at the lower rate. Companies also must send statements 21 days before payment is due, instead of 14 days.

It's just the beginning of a slew of new reforms. But, as CBS News correspondent Kelly Wallace reports, credit card companies are trying to make as much money as they can now - before the new rules take effect.

The companies say they're just adjusting to the marketplace. But consumers say it's a money grab.

Outside Tampa, Pam and Joe Fortune never missed a payment, but still saw their interest rates on one of their Bank of America cards more than double to 39 percent.

"I feel that it's a sad state of affairs when we bail out Bank of America and they turn around to make money on us," Joe Fortune said.

Card issuers appear to be locking in profits before the toughest limits on interest rates hikes and fees begin next February.

Since President Obama signed the reforms into law, the average variable rate has increased from 10.8 percent to 11.2 percent. A new report today finds credit limits have been slashed for 33 million people - half of them with excellent credit scores.

"I don't think we've seen the end of the reign of terror of credit card companies," said Adam Levin, founder of Credit.com.

Capital One has increased its interest rates to almost 12 percent. Discover has hiked fees 30 percent. And Citigroup is beginning to add new annual fees, some in excess of \$30.

But the industry denies it's waging a pre-emptive strike to cash in before all the rules kick in.

**"That's a red herring," said Scott Talbott of the Financial Services Roundtable. "The two main factors in changing the interest rate or your credit limit are the customer's risk profile as well as general economic lending conditions. That's what's driving the train here."**

That also may be driving people like Daisy Mitchell out of business.

When Chase raised Mitchell's credit card rates from 10 to 14 percent, she says she was forced to shut down her children's boutique near Orlando.

"At first I thought, 'Is this even legal?'" Mitchell said. "I lost everything, apparently for no reason."

The new rules are designed to protect consumers. But before the strictest reforms take effect, consumers may find themselves more vulnerable than ever before.

### **Credit card changes to kick in**

**08/19/2009**

**Nancy Trejos**

**Seattle Times – Online**

WASHINGTON The first phase of the landmark credit-card legislation signed by President Obama in May will take effect this week, forcing card issuers to give consumers more time to pay their bills and to consider interest-rate increases.

Starting Thursday, issuers must give customers 45 days' notice before raising their interest rates, instead of 15 days as previously required. Customers can then choose to pay what they owe at the original rate over time but will not be able to use the card for future purchases.

The issuer reserves the right to increase the minimum payment, as a percentage of the total balance, to no more than double the percentage it had been. Card issuers will also have to mail bills 21 days instead of 14 days before the due date.

Consumer advocates praised the new rules but said significant relief will not come until February, when most provisions will be implemented. 'This is a really good first step,' said Gerri Detweiler, a credit adviser for Credit.com, which tracks the credit-card industry.

The law will eventually prevent card companies from raising interest rates on existing balances unless the cardholder is at least 60 days late making a payment. If the cardholder pays on time for the next six months, the old rate must be restored.

Companies must also receive customer permission before allowing them to go over their limits for a fee. Interest charges on debts that are paid on time, a practice known as double-cycle billing, will be also be banned. Several other provisions of the law require better disclosure of terms and conditions.

Even with the implementation of the first phase of the law, consumer advocates warned that card companies will continue to raise rates, cut credit limits, scale back reward programs and close down inactive accounts, as they have been doing in recent months.

In a Pew report to be released next month, researchers reviewed the lowest advertised rates of nearly 400 credit cards and found that they rose two percentage points, a 20 percent increase, since December. At the same time, the target funds rate at which banks lend to each other fell by 0.75 points to nearly zero.

More than half of the cards recently surveyed by Consumer Action had gone from having fixed rates to variable rates, making it easier for companies to make future changes. 'Unfortunately, for another six months consumers are just sitting ducks for whatever abuses credit-card companies can dream up,' said Joe Ridout, a spokesman for Consumer Action.

Industry representatives said banks are not charging higher interest arbitrarily. **'The assertion that it's being done in advance of the February implementation is a red herring,' said Scott Talbott, senior vice president of government affairs for the Financial Services Roundtable. 'Interest rates are going up because credit scores are going down. Your credit terms are based on your individual credit profile.'** But card executives have also said that the rising number of delinquencies and higher charge-off rates, in which banks give up on trying to collect a debt from a customer, have hurt revenue.

The remaining provisions of the credit-card law will make matters worse for the industry by making it more difficult for banks to set rates and fees according to customer risk, industry executives have argued.

## **New credit card law what to know**

**08/19/2009**

**NANCY TREJOS**

**Newsday**

The first phase of the landmark credit card legislation signed in May will take effect this week, forcing card issuers to give consumers more time to pay their bills and to consider interest rate increases.

What will happen?

Starting tomorrow, issuers must give customers 45 days' notice before raising their interest rates, instead of 15 days as required now. Customers can then choose to pay what they owe at the original rate over time but will not be able to use the card for future purchases. The issuer could increase minimum payment, as a percentage of the total balance, to no more than double the percentage it had been. Card issuers will also have to mail bills 21 days, instead of 14 days, before the due date.

What to expect in the future?

Most provisions of the law will be implemented in February. The law then would prevent companies from raising interest rates on balances unless the cardholder is at least 60 days late making a payment. If the cardholder pays on time for the next six months, the old rate must be restored. Companies must also receive customer permission before allowing them to go over their limits for a fee. Interest charges on debts that are paid on time will be banned.

What are the sticking points?

Even with the implementation of the first phase of the law, consumer advocates warned that card companies will continue to raise rates, cut credit limits, scale back reward programs and close down inactive accounts, as they have been doing in recent months. In a Pew report to be released next month, researchers reviewed the lowest advertised rates of nearly 400 credit cards and found that they rose two percentage points, a 20 percent increase, since December.

What do card companies say?

Industry representatives said banks are not charging higher interest rates arbitrarily. **"The assertion that it's being done in advance of the February implementation is a red herring,"** said Scott Talbott, senior vice president of government affairs for the Financial Services Roundtable. **"Interest rates are going up because credit scores are going down. Your credit terms are based on your individual credit profile."** But industry executives have also said that the rising number of delinquencies and higher charge-off rates have hurt their ability to generate revenue.

Top card issuers

Market share as a percentage of outstanding credit card balances, as of Dec. 31, 2008

Total \$853 billion

JP Morgan Chase 22%

Bank of America 19%

Citibank 11%

American Express 11%

Capital One 8%

Others 29%

Recent hikes

The prime rate fell 2 percentage points this year, but the average variable rate on cards dropped about 1 percentage point

Prime rate Variable rate

June '08 5.25% 15.08%

June '09 3.25% 13.89%

Variable rates range from 4.25% to 22.99%; some rates are 46 percent higher than they were last year

Balance transfer and cash advance fees are as high as 5%

SOURCE: BANKRATE.COM; CONSUMER ACTION

**Why Some Banks Raise Fees**  
**Washington Business Tonight**  
**ABC News Channel 8**  
**August 18, 2009**

Jill Hershey talks about bank fees—clip currently unavailable:  
<http://www.washingtonbusiness tonight.com/video.cfm>

**Increasing Fees Push Bank Customers Away**  
**ABC 7 News**  
**08/18/09 4:40 pm**

Some banks are now charging for things like using a telling, using a different bank's ATM or stopping payment on a check - and customers what to know why.

Candice Shaw had no problem walking away from her old bank. "I was upset so that's why I just canceled my account."

She noticed a new monthly maintenance fee on her account. "When I first got the account there wasn't a maintenance fee and then a few months later I got a maintenance fee. It was like \$15 every month."

Some experts say more banks are adding new fees and hiking the old ones. **"The reason bank fees have gone up is because the cost of providing the service has gone up," said Scott Talbott, Financial Service Roundtable.**

One national survey shows the median overdraft fee is up four percent from last year - the first time it has increased during a recession. Over 44 percent of banks made more money on their overdraft fees than their net income in 2008.

**"Essentially an overdraft fee is a fee charged for lending the customer money when they overdraw their account," said Talbott. "That's a short term unsecured loan and there's a risk associated with making that type of loan."**

The Center for Responsible Lending says banks should be more transparent and give customers a warning that the purchase or withdrawal they're about to make could send them into the red.

"The consumer can know that if the transaction is approved, they'll incur a \$34 fee and choose whether or not they want to continue with the transaction," said Rebecca Borne, Center for Responsible Lending.

But the increase in bank fees might be proving beneficial to the credit unions, whose fees are often lower. "We are up. Our deposits are up almost 28% on an annualized basis. This environment has really caused a surge of new members," said Rick Wieczorek, Mid-Atlantic Federal Credit Union.

**The Financial Services Roundtable** does advise consumers that they can avoid overdraft fees by keeping track of account balances either on-line or on the phone.

Meanwhile, consumer advocates are supporting a House bill that would require an overdraft warning at the point of sale, to protect customers from the automatic fee.

**Inside Look - Executive Pay**  
**Bloomberg TV**  
**Aug. 17, 2009**

Scott Talbott on Bloomberg TV:

[http://www.clipsyndicate.com/video/play/1061355/inside\\_look\\_executive\\_pay](http://www.clipsyndicate.com/video/play/1061355/inside_look_executive_pay)

**Online Trust and Brand Protection Summit Announced Federal Trade Commission and the Council of Better Business Bureaus to Keynote**  
**PR-Inside**  
**August 18, 2009**

The goal of the Summit is to help online merchants, banks, and brand marketers enhance consumer protection, data privacy, and protect their brands from emerging threats. Attendees will learn the latest techniques and strategies, evolving privacy and data governance, and how decision-makers can align business goals with technical solutions.

Highlights of this program will include an insider's view of consumer trust perceptions, the U.S. government's position on privacy and consumer protection, and real-world examples that support consumer rights and the importance of self-regulation.

'Consumers' choice and control of their personal data, and respect of their preferences are critical issues,' said Craig Spiezle, executive director of OTA. 'Left

unchecked we risk a consumer trust meltdown. The Summit will elevate critical business practices that show promise toward protecting consumers and the long-term vitality of the Internet.'

'As consumers increasingly assert their sovereignty over information, building and retaining consumer trust has never been more important. If our research at Nielsen and the work of the BBBs show anything, business has a shared responsibility to serve the interest of the consumer. OTA's work recognizes the critical need for every sector to work together to promote best practices. We will rise or fall together,' Pete Blackshaw, Chairman of the Board, Council of Better Business Bureaus, EVP, Digital Strategic Services, Nielsen.

The Summit includes speakers from leading interactive brands including Bank of America, eHarmony, Memolink, Inc., Microsoft, Publishers Clearing House, TRUSTe, Visa and the US Postal Service. Combined with industry visionaries and representatives of leading organizations, attendees will receive real-world examples and prescriptive advice.

'The promise of the internet is achieved when consumer privacy and expectations are in-line with business practices,' Fran Maier, CEO of TRUSTe 'OTA's Online Principles are a significant step to increasing accountability while giving consumers confidence that abuse of their data and identity is thwarted. As stewards of consumer data, businesses maximize their online brand value and deepen customer relationships by building trust.'

Leading businesses and industry organizations are demonstrating their commitment to self-regulation through their collaborative efforts and support of the Summit. Those businesses and organizations include:

American Association of Advertising Agencies (AAAA), Council of Better Business Bureaus, (BBB), Interactive Advertising Bureau (IAB), **BITS/Financial Services Roundtable**, Email Sender & Provider Coalition (ESPC), the Merchant Risk Council (MRC), and eco, the Association of the German Internet Industry.

The Summit will take place on October 29 at the Lowes Hotel Philadelphia, building on a series of OTA events held over the past six months in Amsterdam, New York, Copenhagen, San Francisco and Germany. Registration for the event is open to the public. Register by September 7 to save \$200.

[www.otalliance.org/events/Phila09.html](http://www.otalliance.org/events/Phila09.html) :

The event is being sponsored by leading OTA member companies including

DigiCert, Mark Monitor, Message Systems, Memolink Inc., Microsoft, Port 25, Secunia and TRUSTe.

About The Online Trust Alliance (OTA) [otalliance.org/](http://otalliance.org/) :

The mission of OTA is to create a trusted global online ecosystem and foster the elimination of email and Internet fraud, abuse and cybercrime; thereby enhancing trust, confidence, and the protection of businesses and consumers. Through its member companies and organization affiliates, OTA represents over one million businesses and 500 million users worldwide with regional chapters in Asia Pacific, Canada and Europe. OTA is a 501c6 IRS-approved non-profit, governed by a Board and Steering Committee including Bank of America, BoxSentry, Datran Media, Epsilon, Goodmail Systems, Iconix, Internet Identity, IronPort (a division of Cisco Systems), MarkMonitor, Message Systems, Microsoft Corporation, MX Logic, Publishers Clearing House, Return Path, Secunia, Symantec Corporation and VeriSign.

### **Credit Card Firms Face New Curbs This Week**

**Nancy Trejos**

**Washington Post Staff Writer**

**Tuesday, August 18, 2009**

The first phase of the landmark credit card legislation signed by President Obama in May will take effect this week, forcing card issuers to give consumers more time to pay their bills and to consider interest rate increases.

Starting Thursday, issuers must give customers 45 days' notice before raising their interest rates, instead of 15 days as previously required. Customers can then choose to pay what they owe at the original rate over time but will not be able to use the card for future purchases.

The issuer reserves the right to increase the minimum payment, as a percentage of the total balance, to no more than double the percentage it had been. Card issuers will also have to mail bills 21 days -- instead of 14 days -- before the due date.

Consumer advocates praised the new rules but said significant relief will not come to cardholders until February, when most provisions of the law will be implemented. "This is a really good first step," said Gerri Detweiler, a credit adviser for Credit.com, which tracks the credit card industry.

The law will eventually prevent card companies from raising interest rates on existing balances unless the cardholder is at least 60 days late making a payment. If the cardholder pays on time for the next six months, the old rate must be restored.

Companies must also receive customer permission before allowing them to go over their limits for a fee. Interest charges on debts that are paid on time, a practice known as double-cycle billing, will be also be banned. Several other provisions of the law require better disclosure of terms and conditions.

Even with the implementation of the first phase of the law, consumer advocates warned that card companies will continue to raise rates, cut credit limits, scale back reward programs and close down inactive accounts, as they have been doing in recent months.

In a Pew report to be released next month, researchers reviewed the lowest advertised rates of nearly 400 credit cards and found that they rose two percentage points, a 20 percent increase, since December. At the same time, the target funds rate at which banks lend to each other fell by 0.75 points to nearly zero.

More than half of the cards recently surveyed by Consumer Action had gone from having fixed rates to variable rates, making it easier for companies to make future changes.

"Unfortunately, for another six months consumers are just sitting ducks for whatever abuses credit card companies can dream up," said Joe Ridout, a spokesman for Consumer Action.

Industry representatives said banks are not charging higher interest rates arbitrarily.

**"The assertion that it's being done in advance of the February implementation is a red herring," said Scott Talbott, senior vice president of government affairs for the Financial Services Roundtable. "Interest rates are going up because credit scores are going down. Your credit terms are based on your individual credit profile."**

But card executives have also acknowledged that the rising number of delinquencies and higher charge-off rates, in which banks give up on trying to collect a debt from a customer, have hurt their ability to generate revenue. The remaining provisions of the credit card law will make matters worse for the industry by making it more difficult for banks to set rates and fees according to customer risk, industry executives have argued.

**Credit Card Rates Rise Ahead of Reform Law:  
Efforts to Compensate for New Card Rules Lead Higher Rates, Fees for  
Consumers, Critics Charge**  
**ALICE GOMSTYN**  
**ABC NEWS Business Unit**  
**Aug. 18, 2009**

As consumers look forward to new credit card rules intended to make their lives easier, many are also finding that the cost of using their cards is rising.

Some experts say that because the credit card companies expect that the reforms will ultimately cost them revenue, they're raising interest rates and fees now to compensate.

Efforts to compensate for the losses expected from the new federal credit card rules -- some of which take effect Thursday -- are part of what's driving card companies to raise interest rates and fees, some say.

"Conventional wisdom says that if one of your large revenue sources is threatened in the future," said Samir Kothari, the co-founder of credit card analysis site BillShrink.com, "you may choose to find other ways to make up that money."

Some credit card industry and company representatives, meanwhile, downplay the impact of the new rules -- included in the Credit Card Accountability, Responsibility, and Disclosure (CARD) Act of 2009 -- on card rates.

"It's not the leading factor, it's not the only factor, it's a factor," said American Express spokeswoman Desiree Fish.

**Scott Talbott of the Financial Services Roundtable, the trade group that represents some of the country's biggest credit card companies, said that rising rates are due to the treacherous economy, higher borrowing costs for banks, and consumers with riskier profiles.**

**The idea that banks are raising their rates in response to credit reform is "a red herring," he said.**

No one disputes that rates are on the climb.

A recent study of 150 credit cards by BillShrink found that interest rates on purchases and balance transfers for card holders have grown nearly 20 percent from January to July of this year.

Among the companies raising rates the most, according to the study, were:

Capital One, raised purchase and balance transfer rates by an average of 50 percent, cash advance rates by 20 percent and penalty rates by 30 percent.

Citi, which increased its purchase and balance transfer rates by an average of 27 percent. Citi card holders with poor credit have seen their rates increase at least 50 percent.

Discover, which increased its purchase and balance transfer rates by an average of 30 percent. (Discover told ABCNews.com that the company's online balance transfer rate is zero for the first 9 months following the transfer.)

US Bank has increased its purchase and balance transfer rates by an average of 33 percent.

In an e-mail to ABCNews.com, Discover framed its rate hikes more in terms of business "soundness" than revenue. Rate increases in response to changes in the law "allows us to preserve the safety and soundness of our business while continuing to lend to credit-worthy consumers," said company spokeswoman Laura Gingiss.

Capital One said its rate hikes were due to "external challenges" and the economic downturn, while Citi attributed increases to regular reviews of customer accounts as well as "the dramatically higher cost of doing business."

Bank of America and American Express were found by BillShrink to have raised their rates the least, though it's unclear how AmEx would fare were the study updated to include August information: Some American Express customers received letters earlier this month informing them that the company was raising their rates on purchases and cash advances as well as raising late fees.

AmEx declined to disclose how many customers had received the letters. Rates, AmEx spokeswoman Desiree Fish said, increased by an average of 4 percentage points for proprietary American Express cards and 2 percentage points for its "co-branded" cards -- cards offered in partnership with a specific company, such as Delta Airlines, Costco and Starwood Hotels.

## New Rules Mean Losses for Credit Card Companies

The rules being implemented Thursday are the first phase of the new credit card regulations signed into law this past spring by the president. Most of the rules included in the legislation won't take effect until this February.

Experts say that even the few rules taking effect tomorrow will cost credit card companies money. One new card company requirement stipulates that card holders be given at least 45 days' notice before a rate hike. Such advance warning may allow some card holders enough time to pay off or at least pay down more of their balance before they're hit with a costlier, higher rate -- meaning less interest rate revenue for the card company.

Another rule requires companies to send bills at least 21 days before they're due. This, some say, could make it easier for consumers to pay on time and avoid late fees or pay off larger portions of their balances, thus shrinking their interest payments down the road.

It's unclear how much companies stand to lose from the law -- it's especially difficult to estimate that because card company losses are so steep already, said Peter Garuccio of the American Bankers Association.

The companies, he said, are being crunched by their own borrowing costs.

A major source of funding for the companies and banks that issue cards was once the securitization market, where banks packaged and sold off assets -- including credit card loans -- to investors. Today, that market is dry and "getting money from investors is a much more expensive proposition," he said.

In the meantime, there's no question that the card companies have been aggressive in trying to find ways to raise revenue, said Adam Levin, of the credit education site Credit.com.

Levin noted that American Express announced it was dropping its over-the-limit fees -- a move the card company made in response to the reforms governing such fees -- at the same time that it notified consumers of rate hikes.

"Even when they do something that looks like good PR move, they're doing something else (too)," he said. "You always have to keep your eye on the entire fee landscape. Just because one is altered doesn't mean they don't make it up with others."

## **There Goes the Credit Card Prize**

**08/15/2009**

**Trejos, Nancy**

*Washington Post - Online*

Credit card rewards programs are suddenly less rewarding.

Months before a new law takes effect restricting the credit card industry's ability to raise interest rates and charge fees, card issuers are scaling back programs that offer lucrative rewards such as frequent-flier miles and cash rebates. Now many customers have to pay additional fees or earn more points to redeem free plane tickets or claim cash-back perks. 'Consumers should understand that rewards programs are unstable right now, and a lot of the best programs are changing. And almost without exception they are changing to the benefit of the bank and the disadvantage of the cardholders,' said Joe Ridout, a spokesman for Consumer Action.

On Sept. 1, American Express will increase to \$99 from \$75 the maximum fee customers in its Membership Rewards program pay to transfer points to any U.S. airline loyalty program. In June, the company decreased its rebate to Blue Cash cardholders for all purchases except everyday ones such as gas and groceries to 1.25 percent from 1.5 percent.

Discover has eliminated one of three tiers in its cash-back program. Previously, customers received 0.25 percent of the first \$1,500 spent, 0.5 percent for the next \$1,500, and 1 percent for anything above \$3,000. Now they will receive 0.25 percent back for the first \$3,000 spent and 1 percent above that.

Citi has altered its travel redemption program. Previously, customers could redeem a domestic round-trip airline ticket valued at up to \$400 for every 20,000 points earned. Now, the same ticket would require 40,000 points.

The changes follow warnings from bank executives that the new law, which takes effect in February, will limit their ability to set interest rates and fees based on each borrower's risk. That, in turn, would make lending money more expensive, forcing them to withhold credit, charge new customers higher rates and increase annual fees, the executives have argued. Now they say scaling back rewards programs could be another consequence as they try to make up for the losses they expect to incur. 'Valuable rewards programs are still out there for consumers, and they need to look for them,' said Ken Clayton, senior vice president for card policy at the American Bankers Association. 'That being said, in tough economic times with increased regulation on the ability to handle risk, it does affect the economics of the products.' Since emerging in the 1980s, rewards programs have evolved into

a common way for card companies to entice new customers. In the era of easy money, issuers competed for customers by offering increasingly creative rewards, such as concert tickets and electronic gadgets. The programs became so plentiful that people learned how to game the system, snapping up multiple cards just to collect the perks.

Now as more cardholders have failed to pay their bills, companies have written off a record high percentage of debt and are less eager to dangle rewards in front of any but the most creditworthy customers, industry analysts say. 'The days of the free-flowing rewards and 5 percent rebates where the customer has the pick of the litter and 20 different offers in the mailbox are over,' said Curtis Arnold, founder of CardRatings.com, a Web site that compares credit card offers.

Card issuers have also become more punitive. People who make two consecutive late payments to Discover, for instance, forfeit all their frequent-flier miles. Starting in September, American Express Blue card customers who make a late payment will lose any reward points earned that month. They can reinstate points for \$29 for each month that the rewards were forfeited. 'Consumers now need to pay even more attention towards being late and the effects that might create on their rewards programs,' said Odysseas Papadimitriou, chief executive and founder of CardHub.com, which evaluates credit cards. In examining the terms and conditions of six major card issuers, Papadimitriou found that all reserve the right to take miles from delinquent customers.

Card issuers say they are simply responding to the economy. 'With rewards, things are constantly evolving. You're adding things and value, but there are times when because they are costly, there are changes you have to make to offset the cost,' said Desiree Fish, a spokeswoman for American Express

Still, they said, some of the changes they are making actually benefit consumers.

Although American Express scaled back some rewards programs, it added perks to others. For instance, cardholders can get double miles for gas and grocery purchases until March 31.

Samuel Wang, a spokesman for Citi, said the former travel redemption option had been available to only a small group of members. Although 20,000 points once secured a more expensive ticket, he said customers had to pay taxes and fees separately. Under the new guidelines, taxes and fees are included, he said. 'In consumer research and feedback, members deemed our online variable travel reward more compelling overall and more straightforward than the fixed travel offering,' he said. In the past year, Wang said, the company has made other changes to benefit customers, such as allowing them to use points on Amazon.com

or toward mortgage payments at any financial institution.

Matthew Towson, a spokesman for Discover Financial Services, said eliminating the tier that gave customers 0.5 percent cash back on purchases between \$1,500 and \$3,000 simplified the program and had minimal impact on cardholders. At the same time, he said, the company has added other popular features such as a one-month program in which customers were able to earn 5 percent cash back when they used their cards at warehouse clubs and restaurants.

Chase has taken up one of the most dramatic overhauls of rewards programs.

The company's Freedom card used to give customers a fixed 3 percent cash-back bonus for spending in any three of 15 categories. In November, the program was tweaked to give new customers 1 percent back on every purchase with no limitations by category, caps or expiration dates. They could earn 3 percent back in categories that changed each quarter.

Now Chase has launched a new program called Ultimate Rewards, which will let customers earn one point per \$1 spent with no earnings cap or expiration date. Customers can redeem the points for cash back, gift cards, airline tickets or merchandise from merchant partners. Originally, Chase was going to give customers the option of paying a \$30 annual fee to keep the 3 percent cash back bonus but decided against that in July, a spokeswoman said. 'When you combine the breadth and depth of earning opportunities with a much broader array of ways to redeem, . . . we think the card is the best out there,' said Rob Rosenblatt, general manager of loyalty programs for Chase Card Services.

But some cardholders aren't happy with the changes.

When David Kaminsky of Silver Spring got his Chase card 12 years ago, he was told he would never have to pay an annual fee. The card, which was originally issued by AT&T, has changed issuers since then. In May, he received a letter saying that it would become a Chase Freedom card, and that after a year, he would have to begin paying a \$30 annual fee. When he called to ask whether he could maintain his original rewards program, he said the customer service representative told him he could cancel the card. He is reluctant to do so because his good standing with the card for so many years has helped his credit score. 'They put me between a rock and a hard place here,' he said. 'I'm not sure what I'm going to do.'

Industry analysts and officials said such changes could become the norm as the industry adapts to a new era of regulation. **'Once we sort of get to a new equilibrium and new status quo in a couple of years, rewards programs will be continue to be part of the landscape,' said Scott Talbott, senior vice**

**president of government affairs for the Financial Services Roundtable, an industry group. 'However, the benefits offered will continuously expand and contract for all income classes. As credit tightens under the new law, rewards programs could suffer, especially for lower- and moderate-income Americans.'** In the meantime, consumer advocates recommend that cardholders regularly inspect their terms and conditions for any changes. But they have to be careful, advocates said, because notices of such changes are often not clearly labeled. Consumers should also use their rewards quickly because they could easily lose value. 'Everyone is vulnerable in this environment,' Arnold of CardRatings.com said.

### **Industry Experts Join University of Maryland's Robert H. Smith School of Business to Lead New Center**

**08/16/2009**

*Examiner.com*

COLLEGE PARK, Md., Aug. 11 /PRNewswire-USNewswire/ -- The University of Maryland's Robert H. Smith School of Business today announced finance industry leaders Clifford Rossi and **William Longbrake** have joined the school to lead the new Center for Financial Policy, which will be launched this fall. Rossi was named managing director of the center and Longbrake will serve as an executive-in-residence and senior policy advisor.

"The financial crisis highlighted the need for a broader, interdisciplinary perspective to addressing financial policy and corporate governance issues and Cliff and Bill bring decades of industry knowledge and insight to the Center for Financial Policy," said Lemma Senbet, the William E. Mayer Chair Professor of Finance and director of the center. "Our hope is for government financial regulatory agencies, congressional staffers, industry associations and corporations to look to the center as a partner and champion of best practices in the financial arena."

The Center for Financial Policy will develop thought leadership in financial policy that impacts corporate performance, capital allocation and the stability of the global financial system. Located in Washington, D.C., at the Smith School's campus in the Ronald Reagan Building and International Trade Center, the center is well-situated to take a leadership role with its globally recognized faculty and its extensive relationships with key policymakers, practitioners and academics. It will formally launch in November with a roundtable event with public policy and industry leaders discussing executive compensation.

As managing director of the center, Rossi oversees operations and outreach. He will also teach in Smith's MBA program. Rossi has nearly 25 years experience in banking and government, having held senior executive roles in risk management at several of the largest financial services companies. His most recent position was Chief Risk Officer for Consumer Lending at Citigroup where he was intimately involved in TARP funding and stress tests performed on Citi. He also helped start a statistical arbitrage unit at Citi and helped integrate market and credit risk analytics across Citi's mortgage portfolios. While there he was responsible for overseeing a \$200 billion global mortgage portfolio with 700 employees under his direction.

Previous to Citi, Rossi held senior positions at other major financial institutions and worked for a number of years at the Treasury Department and Office of Thrift Supervision working on key policy issues affecting depositories. Before permanently joining the Smith School, Rossi served as an adjunct professor for eight years and has a number of publications on banking industry topics. He earned his Ph.D. at Cornell University.

As an executive-in-residence at the Smith School, Longbrake works on a variety of business, policy, and governance issues with faculty, students, business leaders, government policymakers, and executives of not-for-profit organizations. Longbrake has extensive experience in finance, macroeconomics and monetary policy, risk management, housing, public policy and academia, government, serving both the public and private sectors. He also serves on the boards of directors of First Financial Northwest, a community bank located in Renton, Washington; the Federal Home Loan Bank of Seattle; and the Washington Financial League.

Longbrake is a member of several committees of the American Bankers Association, including those for government relations, governance and mortgage markets. He serves on the boards of trustees of Auburn Theological Seminary; the College of Wooster; and is president of the Intiman Theatre Foundation. He is president and chairman of the board of trustees of Lift Up Africa, a charitable organization that finances humanitarian and economic development initiatives on the continent of Africa, and is president and chairman of the board of trustees of the Longbrake Family Foundation.

In the academic sector, Longbrake has published extensively and has taught courses in business administration and finance. He holds a Ph.D. from the University of Maryland and in 2007, received the Distinguished Alumnus of the Year award from the Smith School. Longbrake is active in numerous academic, business, and community service organizations, particularly those involving issues surrounding affordable housing and education. He chairs the Washington State

Citizens Commission for Review of Tax Preferences. He is a member of the Governor's Council of Economic Advisors for Washington State, a member of the University of Washington Business School Advisory Board and a member of the Smith School's Board of Visitors.

**Longbrake is chairman emeritus of the Financial Services Roundtable's Housing Policy Council.** He served as chief financial officer of Washington Mutual, Inc. for most of the period from 1982 to 2002, except for 1995-1996 when he was chief financial officer of the FDIC.

About the University of Maryland's Robert H. Smith School of Business

The Robert H. Smith School of Business is an internationally recognized leader in management education and research. One of 13 colleges and schools at the University of Maryland, College Park, the Smith School offers undergraduate, full-time and part-time MBA, executive MBA, MS, Ph.D., and executive education programs, as well as outreach services to the corporate community. The school offers its degree, custom and certification programs in learning locations in North America and Asia. <http://www.rhsmith.umd.edu/>

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**Credit-card holders should be aware of changes as new regulations take effect**  
**Lansing State Journal**  
**August 17, 2009**

Companies likely will find loopholes in law, some say

The bulk of sweeping new credit card regulations won't take effect until February 2010 and many card issuers are raising interest rates and slashing credit lines.

So, what will happen after the new rules take effect?

Although the rules will prohibit certain practices related to interest rates and fees, there's still room for issuers to fudge in other areas, some credit experts say.

"They're going to find loopholes in the legislation," said Curtis Arnold, founder of CardRatings.com, a credit card information Web site. "There's no way you can cover every single potential consumer topic."

For example, the new rules prohibit certain fees but "they do not put any restrictions on fees for balance transfers, cash advances or late payments," said

Bill Hardekopf, CEO of LowCards.com, a credit card Web site.

Already, some card issuers have raised their balance-transfer fees, he said.

The credit card industry says it will comply with the law passed by Congress in May.

**"We at the Roundtable certainly don't condone any illegal practices and skirting of the law," said Irving Daniels, vice president of banking and securities at the Financial Services Roundtable, an industry group.**

**"We are strong advocates of consumer protection and safety and soundness, and we think there should be regulations and laws in place for consumer protection and safety and soundness," he said.**

**But Daniels said card issuers must be able to price their product according to a consumer's creditworthiness.**

**"There's no one-size-fits-all, no uniform plain-vanilla consumer, so when credit is issued, companies in the optimal situation should be able to determine creditworthiness based on individuals' risk profiles," Daniels said.**

**The industry has said that the new law will make credit tighter. "Given what has taken place and the recent legislation, we think that credit will be limited because issuers will have less of an opportunity, less flexibility, to manage risk," he said.**

Although card issuers know they're under a hot spotlight, not every company will toe the line, Arnold said.

"There's still going to be a lot of dirty pool, and not every issuer is going to try to be consumer-friendly," he said.

"They're going to try to find loopholes."

Arnold said InfiBank, his credit card company, notified him that it was setting a minimum rate of 15.99 percent for his annual percentage rate (APR).

"This is a classic example of a loophole," he said. "The Fed could cut rates all day long, but if your account has a floor on it, you'll never get any benefit of it. There's no verbiage in this law that talks about rate floors."

Neither does the law impose rate caps.

## **BofA drops mandatory arbitration**

**08/17/2009**

**Kathy Chu**

**Cincinnati Enquirer - Online**

**USA Today**

In the industry's latest shift away from controversial forced arbitration clauses, Bank of America said last week that it will no longer require credit card, bank account and auto loan customers to sign away their right to sue.

The change comes as mandatory arbitration clauses - common in credit card, cellphone and, increasingly, employment contracts - come under fire from regulators and Congress. Last month, Minnesota Attorney General Lori Swanson sued a major dispute-resolution firm, National Arbitration Forum, charging that it hid its ties to the debt-collection industry. Since then, a growing number of dispute-resolution firms and credit card companies have backed away from arbitration.

Chase last month said it would no longer file new arbitration claims on consumer credit card disputes. BofA's move is broader because it will no longer require mandatory arbitration for banking and loan customers. That means customers can now sue the bank rather than having the dispute handled by a former judge or legal expert behind closed doors.

"This is a major victory for consumers," says Ed Mierzwinski, consumer program director at the U.S. Public Interest Research Group. "If banks know they won't be shielded by arbitration, it will lead to fairer (product) terms."

**Some banks may review their use of arbitration to compete with their peers, says Scott Talbott, senior vice president of the Financial Services Roundtable, which represents large banks.** Citizens Bank now says it's reviewing mandatory arbitration clauses in credit card contracts.

Meanwhile, American Express is "reassessing" its options related to arbitration forums, says spokeswoman Joanna Lambert.

**While the industry still believes arbitration is a fair process, Talbott says, it has unfairly "become sort of a lightning rod" for criticism.**

BofA says it decided to ax arbitration partly because of customer complaints. While it no longer requires arbitration for new disputes, it will determine whether individual existing disputes can go to court. Eric Gertz, 39, who has an arbitration

hearing scheduled in September against BofA related to \$18,000 in disputed charges, says it would be "unfair" if he couldn't sue the bank since other customers now can. BofA declined comment on his case.

Michael LeRoy, a law professor at the University of Illinois, says while he understands consumers' relief to have an option besides arbitration, they shouldn't expect the "delayed and over-taxed" court system to be a cure-all.

### **Homeowners fight for loan modifications from swamped mortgage servicers 08/17/2009**

**Yip, Pamela**

**Dallas Morning News**

DALLAS \_ After losing his job in January, Stuart Miller has fought hard to keep his home out of foreclosure.

At the end of May, the 55-year-old Plano, Texas, man began trying to get Wells Fargo & Co. to review his application for a loan modification.

After making repeated calls, he finally was told that the company would place a three-month moratorium on his mortgage payments.

"They're going to give me July, August and September, but I haven't paid June yet," said Miller, a former trainer for a franchise company.

He's among many struggling homeowners who say their attempts to get a loan modification have been met with either long waits to get their case reviewed, no response at all or a runaround.

The Obama administration is leaning on mortgage servicers – the companies that collect and process mortgage payments – to step up modifications.

A report released last week by the Treasury Department showed wide variations in how quickly mortgage companies are helping troubled homeowners avoid foreclosures.

It also found the government's program is helping only a tiny fraction of struggling homeowners. As of July, only 9 percent of eligible borrowers had seen their mortgage payments reduced with modified loans, the report said.

"Much more progress is needed," Treasury Secretary Timothy Geithner and Shaun Donovan, secretary for Housing and Urban Development, wrote in a letter to mortgage companies. "There appears to be substantial variation among servicers in performance and borrower experience, as well as inconsistent results in converting

trial modification offers into actual trial modifications."

Mortgage servicers said they're committed to working out more loan modifications, but they're overwhelmed by the number of homeowners all wanting help at the same time.

**"It's a new ballgame," said John Dalton, president of the Financial Services Roundtable's Housing Policy Council. "The delay is the fact that we've got 3 million people today who are 60 days past due on their loans. These servicers have not been accustomed to and were not geared up to deal with that many incoming calls with people having difficulty."**

**The industry also is reinventing itself to add loan modifications to its traditional role as the collector and processor of mortgage payments, he said.**

**"Loan modifications are a relatively new thing," Dalton said.**

A loan modification is different from a traditional mortgage refinancing. When you refinance, you sign a new contract for a new loan. A loan modification involves changing the existing loan by lengthening its term or lowering the interest rate so that you can continue to afford your mortgage payment.

Homeowners may be eligible for a loan modification if they have a mortgage payment greater than 31 percent of their monthly gross income and can document that a financial hardship has made the payment unaffordable.

Miller, the Plano homeowner, hopes he will soon receive a confirmation letter from Wells Fargo with the details of his loan modification. He said the process he underwent to get to this point was frustrating.

"My frustration is the time that it takes," Miller said. "They have control of my financial life, and I can't talk to a decision-maker. They literally get to say whether I get to live in my house or my life gets completely turned upside-down, and I am literally at their mercy."

Wells Fargo officials said they're reviewing his situation.

"While the majority of our customers who request help are getting through to us and receiving the help they need, we know we've fallen short of our customer service goals in some cases," Mike Heid, co-president of Wells Fargo Home Mortgage, said this week. "We've recently undertaken new steps that will soon enable us to qualify most borrowers (for a modification)."

After I called a Wells Fargo spokesman for a response to Miller's situation, a

company representative contacted him and told him that the financial institution would not report his delinquency to credit bureaus until his situation's resolved.

"I feel better now that I have a name of a person to talk to," Miller said.

Bonnie Mathias of Dallas hopes for a similar outcome. She has applied for a loan modification with her servicer, CitiMortgage.

"It's been a nightmare," said Mathias, a customer service representative at AT&T Advertising Solutions.

Her husband's company, which sold commercial exercise equipment, went out of business last September. He found another job, but his income is lower now.

Mathias applied for a loan modification in February.

"I'm having a difficult time getting my counselor from CitiMortgage to contact me," said Mathias, a chapter leader at ACORN, the community organization that has been putting pressure on mortgage companies to help struggling homeowners. "This is my second counselor, and I have yet to talk to either one of them."

Mathias received a letter last month from a Citi representative saying she had been trying to reach Mathias.

"I have left four messages on her voice mail," she said.

Despite the difficulty, Mathias doesn't plan to give up and advises others to do the same.

"Persistence absolutely is the key," she said. "Do not give up."

When you apply, have at the ready the necessary documents, such as tax returns, pay stubs and a letter describing why your mortgage is unaffordable, and what caused your income to fall or expenses to rise. Not having the necessary documents will gum up the process of getting a loan modification.

And if anyone says you have to be behind on your mortgage payment to be eligible, don't believe them.

Homeowners are eligible if they are "at risk of imminent default."

Unfortunately, many responsible homeowners have been thrown into financial chaos by the sour economy and are now at risk of default.

They're making desperate, good-faith attempts to save their homes. It behooves mortgage servicers to move much faster to help those people.

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## RESOURCES FOR HOMEOWNERS

[\\_www.makinghomeaffordable.gov](http://www.makinghomeaffordable.gov) –The Obama administration's program to help troubled homeowners avoid foreclosure.

[\\_www.hopenow.com](http://www.hopenow.com) –**A group of counselors, mortgage companies, investors and other mortgage market participants formed to help distressed homeowners. Call toll-free 1-888-995-4673 to reach credit counselors to who can help you with options.**

[\\_ACORN Housing](#) –Call 214-823-4580 to find a housing counselor for free help.

SOURCE: Dallas Morning News research

### **There Goes The Prize**

**08/17/2009**

**Trejos, Nancy**

**Washington Post – Online**

Credit card rewards programs are suddenly less rewarding.

Months before a new law takes effect restricting the credit card industry's ability to raise interest rates and charge fees, card issuers are scaling back programs that offer lucrative rewards such as frequent-flier miles and cash rebates. Now many customers have to pay additional fees or earn more points to redeem free plane tickets or claim cash-back perks. 'Consumers should understand that rewards programs are unstable right now, and a lot of the best programs are changing. And almost without exception they are changing to the benefit of the bank and the disadvantage of the cardholders,' said Joe Ridout, a spokesman for Consumer Action.

On Sept. 1, American Express will increase to \$99 from \$75 the maximum fee customers in its Membership Rewards program pay to transfer points to any U.S. airline loyalty program. In June, the company decreased its rebate to Blue Cash cardholders for all purchases except everyday ones such as gas and groceries to 1.25 percent from 1.5 percent.

Discover has eliminated one of three tiers in its cash-back program. Previously, customers received 0.25 percent of the first \$1,500 spent, 0.5 percent for the next \$1,500, and 1 percent for anything above \$3,000. Now they will receive 0.25 percent back for the first \$3,000 spent and 1 percent above that.

Citi has altered its travel redemption program. Previously, customers could redeem a domestic round-trip airline ticket valued at up to \$400 for every 20,000 points earned. Now, the same ticket would require 40,000 points.

The changes follow warnings from bank executives that the new law, which takes effect in February, will limit their ability to set interest rates and fees based on each borrower's risk. That, in turn, would make lending money more expensive, forcing them to withhold credit, charge new customers higher rates and increase annual fees, the executives have argued. Now they say scaling back rewards programs could be another consequence as they try to make up for the losses they expect to incur. 'Valuable rewards programs are still out there for consumers, and they need to look for them,' said Ken Clayton, senior vice president for card policy at the American Bankers Association. 'That being said, in tough economic times with increased regulation on the ability to handle risk, it does affect the economics of the products.' Since emerging in the 1980s, rewards programs have evolved into a common way for card companies to entice new customers. In the era of easy money, issuers competed for customers by offering increasingly creative rewards, such as concert tickets and electronic gadgets. The programs became so plentiful that people learned how to game the system, snapping up multiple cards just to collect the perks.

Now as more cardholders have failed to pay their bills, companies have written off a record high percentage of debt and are less eager to dangle rewards in front of any but the most creditworthy customers, industry analysts say. 'The days of the free-flowing rewards and 5 percent rebates where the customer has the pick of the litter and 20 different offers in the mailbox are over,' said Curtis Arnold, founder of CardRatings.com, a Web site that compares credit card offers.

Card issuers have also become more punitive. People who make two consecutive late payments to Discover, for instance, forfeit all their frequent-flier miles. Starting in September, American Express Blue card customers who make a late payment will lose any reward points earned that month. They can reinstate points for \$29 for each month that the rewards were forfeited. 'Consumers now need to pay even more attention towards being late and the effects that might create on their rewards programs,' said Odysseas Papadimitriou, chief executive and founder of CardHub.com, which evaluates credit cards. In examining the terms and conditions of six major card issuers, Papadimitriou found that all reserve the right to take miles from delinquent customers.

Card issuers say they are simply responding to the economy. 'With rewards, things are constantly evolving. You're adding things and value, but there are times when because they are costly, there are changes you have to make to offset the cost,' said Desiree Fish, a spokeswoman for American Express

Still, they said, some of the changes they are making actually benefit consumers.

Although American Express scaled back some rewards programs, it added perks to others. For instance, cardholders can get double miles for gas and grocery purchases until March 31.

Samuel Wang, a spokesman for Citi, said the former travel redemption option had been available to only a small group of members. Although 20,000 points once secured a more expensive ticket, he said customers had to pay taxes and fees separately. Under the new guidelines, taxes and fees are included, he said. 'In consumer research and feedback, members deemed our online variable travel reward more compelling overall and more straightforward than the fixed travel offering,' he said. In the past year, Wang said, the company has made other changes to benefit customers, such as allowing them to use points on Amazon.com or toward mortgage payments at any financial institution.

Matthew Towson, a spokesman for Discover Financial Services, said eliminating the tier that gave customers 0.5 percent cash back on purchases between \$1,500 and \$3,000 simplified the program and had minimal impact on cardholders. At the same time, he said, the company has added other popular features such as a one-month program in which customers were able to earn 5 percent cash back when they used their cards at warehouse clubs and restaurants.

Chase has taken up one of the most dramatic overhauls of rewards programs.

The company's Freedom card used to give customers a fixed 3 percent cash-back bonus for spending in any three of 15 categories. In November, the program was tweaked to give new customers 1 percent back on every purchase with no limitations by category, caps or expiration dates. They could earn 3 percent back in categories that changed each quarter.

Now Chase has launched a new program called Ultimate Rewards, which will let customers earn one point per \$1 spent with no earnings cap or expiration date. Customers can redeem the points for cash back, gift cards, airline tickets or merchandise from merchant partners. Originally, Chase was going to give customers the option of paying a \$30 annual fee to keep the 3 percent cash back bonus but decided against that in July, a spokeswoman said. 'When you combine

the breadth and depth of earning opportunities with a much broader array of ways to redeem, . . . we think the card is the best out there,' said Rob Rosenblatt, general manager of loyalty programs for Chase Card Services.

But some cardholders aren't happy with the changes.

When David Kaminsky of Silver Spring got his Chase card 12 years ago, he was told he would never have to pay an annual fee. The card, which was originally issued by AT&T, has changed issuers since then. In May, he received a letter saying that it would become a Chase Freedom card, and that after a year, he would have to begin paying a \$30 annual fee. When he called to ask whether he could maintain his original rewards program, he said the customer service representative told him he could cancel the card. He is reluctant to do so because his good standing with the card for so many years has helped his credit score. 'They put me between a rock and a hard place here,' he said. 'I'm not sure what I'm going to do.'

Industry analysts and officials said such changes could become the norm as the industry adapts to a new era of regulation. **'Once we sort of get to a new equilibrium and new status quo in a couple of years, rewards programs will be continue to be part of the landscape,' said Scott Talbott, senior vice president of government affairs for the Financial Services Roundtable, an industry group.** 'However, the benefits offered will continuously expand and contract for all income classes. As credit tightens under the new law, rewards programs could suffer, especially for lower- and moderate-income Americans.' In the meantime, consumer advocates recommend that cardholders regularly inspect their terms and conditions for any changes. But they have to be careful, advocates said, because notices of such changes are often not clearly labeled. Consumers should also use their rewards quickly because they could easily lose value. 'Everyone is vulnerable in this environment,' Arnold of CardRatings.com said.

**Countdown to the Closing Bell –  
Fox Business Network  
08/17/2009 2:42 PM**

Scott Talbott on Fox Business Network:

[http://video.foxbusiness.com/#/8314958/fed-to-extend-talf-to-boost-credit-flow/?category\\_id=1292d14d0e3afdcf0b31500afe92724c08f046](http://video.foxbusiness.com/#/8314958/fed-to-extend-talf-to-boost-credit-flow/?category_id=1292d14d0e3afdcf0b31500afe92724c08f046)

**Obama plan would give small banks a break  
BY JERRY SIEBENMARK**

**Wichita Eagle**  
**August 15, 2009**

The leader of the group representing Kansas' smallest banks is applauding a proposal by the Obama administration to institute a two-tiered regulatory fee structure.

The proposal is part of the administration's financial services regulatory reform efforts.

"I think they are right on track," said Shawn Mitchell, president and CEO of the Community Bankers Association of Kansas.

Details of the two-tiered plan are scant. A Treasury spokeswoman did not return a phone call or e-mail Friday requesting more information on the fee structure.

But the Washington Post reported on its Web site late Thursday that the plan would impose higher fees on banks and financial services companies with more than \$10 billion in assets from its bank regulator and the consumer protection agency that's been proposed as part of the reform.

Banks and firms with less than \$10 billion in assets might see a decrease in fees, the report said.

Mitchell said those fees are not astronomical for the banks that make up his association, which have assets ranging from \$8 million to \$222 million.

But "if you could get those lowered for community banks ... it will help offset some of the other new fees that banks have to pay," Mitchell said.

Those new fees include the special assessments all banks and thrifts have to pay to the Federal Deposit Insurance Corp. to replenish its deposit insurance fund, which has been hammered by bank failures since 2008.

A break in fees is "a good thing for Kansas community banks," he said.

**The fee proposal is drawing opposition from the Financial Services Roundtable, which represents some of the nation's biggest banks and financial services companies.**

**"We have grave concerns about a system that imposes disproportionate costs on larger banks," said Scott Talbott, the Roundtable's senior vice president**

for government affairs. "We think the costs should be proportional to the institution and based on the institution's activities."

Talbott pointed out that the fee proposal, like all of the proposals within financial services regulatory reform, must be approved by Congress.

**Fresh-faced look:Volunteers spruce up Kuhio Park Terrace as part of National Community Service Day**

**Darin Moriki**

**Honolulu Star Bulletin**

**Aug 16, 2009**

Using 107 gallons of paint, more than 100 Bank of Hawaii employees gave up their Saturday to apply a fresh, new face to 15 units in the Kuhio Park Terrace public housing complex.

"We (Bank of Hawaii) feel that we have a responsibility and obligation to give back to the community where we do business," said Bank of Hawaii Vice Chairwoman Donna Tanoue. "And, above all, we are a part of the community."

**The mass volunteer effort was done as part of National Community Service Day, sponsored by the Financial Services Roundtable, a nonprofit organization that represents 100 of the largest integrated financial service companies in the nation.** Bank of Hawaii was the first bank in the state to participate in National Community Service Day nearly four years ago, with employees fixing public housing developments in several areas, including Papakolea, Waimanalo, Kahaluu and Waipahu.

Hawaii Public Housing Authority Executive Director Chad Taniguchi said such volunteer projects help to offset federal and state spending, since the refurbishing would normally cost federal taxpayers about \$5,000 to \$10,000 per unit.

"It's really helped us, because we have 7,000 people on the wait list (for public housing units)," Tani-guchi said. "The sooner we can get the units turned around, the sooner somebody can live in them."

Some Kuhio Park Terrace residents said the work of volunteers will also inspire people in the area to give back as well.

"I believe that what Bank of Hawaii is doing will be a new start and be a good example to tenants," said Kuhio Park Terrace maintenance worker and resident

Chris Paleafei, 26, who has lived in the complex for seven years. "Just to see people come from outside and help out will open up people's eyes."

Many of the volunteers said they took their day off to give back in a small yet significant way.

"I wanted to do something for the community, and I think all of us feel obligated to help out whenever we can," said Blanche Park, manager of the Bankoh branch at Moiliili Star Market, as she painted the living room ceiling of a 17th-floor unit. "It's something little, but it's going to mean a lot to the people who live here."