

The Buck Starts Here - Perspectives on the Financial Crisis

Financial Services Development Update

(4/8/2009 - 4/21/2009)

Department/Agency	Action/Development
Obama Administration	<p>April 13, 2009. The administration announced a series of changes in U.S. policy, “to reach out to the Cuban people.” Among the intended changes is an alleviation of the bans on family visits to Cuba and on remittances to family members in Cuba, as well as the authorization of greater telecommunications links.</p> <p>April 14, 2009. In a speech at Georgetown University on the economy, President Obama acknowledged the unpopularity of the troubled asset relief program, TARP and his disagreement with “some of the ways the TARP program was managed”. Nevertheless, he indicated his agreement with the broader rationale of providing banks with “capital and confidence” necessary to lend again. He addressed what was in his view the dangers of simply allowing banks to fail or conversely nationalizing the banks, defending the public-private investment program (“PPIP”) as the best middle ground to pair government resources with private investment in order to clear away the toxic loans and securities preventing banks from lending money.</p> <p>April 19, 2009. Administration officials stated that as a result of the application of the administration’s stress test, some big banks will need more bailout support despite some recent promising results in first quarter earnings reports. It was also stated that it was unlikely that the government will nationalize any banks. Rahm Emanuel, White House Chief of Staff,</p>

	<p>said that some of the 19 banks are going to need resources, but the administration believes its got the resources available in the government as the final backup to be sure that they're viable and effective. Senior Presidential Advisor, David Axelrod indicated that the public would see results of the stress tests.</p> <p>April 19, 2009. US Economic Advisor Larry Summers indicates that the President will soon turn his attention to high credit card rates.</p> <p>April 20, 2009. Secretary Geithner indicates in an interview that the health of individual banks will not be the sole criterion on which banks are allowed to repay capital purchase program and other bailout funds.</p> <p>April 21, 2009. The Fed announced two interest rates applicable to certain loans extended under the Term Asset Backed Loan Facility (TALF).</p> <p>April 21, 2009. Secretary Geithner testifying before the TARP Congressional Oversight Committee stated the majority of banks could be considered well capitalized, but that the impact so far of the government's efforts to ease the financial crisis had been mixed. Anticipating the results of the stress test, Secretary Geithner said that the government will provide as much capital as banks need to continue lending; however, the preference was that banks raise money from the private market before taking additional taxpayers' funds. The use of Treasury owned convertible preferred stock as a backstop until private capital becomes available was mentioned, as was the idea of converting Treasury held preferred stock into common stock.</p>
Treasury	<p>April 14, 2009. Treasury released a term sheet for mutual banks or savings associations that are qualifying financial institutions applying to the Capital Purchase Program (CPP) with a May 14, 2009 application date. It follows the April 7th release of term sheets for mutual holding companies in various configurations. The April 14th release is for mutual banks that do not have holding companies. This is a continuation of the CPP program which has been under way since the end of last Fall which treasury has invested in 547 large and small institutions.</p> <p>April 17, 2009. Treasury stated it had collected \$2.52 billion in quarterly dividends on</p>

	<p>payments from capital investments it had made pursuant to the CPP through April 15th.</p>
Interagency	<p>April 21, 2009. The Fed, Office of Thrift Supervision and the National Credit Union Administration proposed clarifications to aspects of their December 2008 final rules under the Federal Trade Commission Act prohibiting certain unfair credit card practices. The Fed also proposed clarifications to its December 2008 final rule under Regulation Z.</p> <p>April 21, 2009. FINCEN and the Office of the Comptroller of the Currency assessed civil money penalties against the New York branch of Doha Bank of Qatar for violations of the Bank Secrecy Act. The bank consented to the assessment of concurrent civil money penalties, each \$5 million.</p>
Fed	<p>April 14, 2009. Chairman Ben S. Bernanke, speaking at Morehouse College, gave a basic review of the crisis and the Fed's response to the crisis addressing the concern about risking inflation in the future as well as justifying intervention in order to prevent the failure of systemically significant institutions.</p> <p>April 17, 2009. A representative of the Board of Governors of the Federal Reserve System, Legal Staff, speaking not for attribution, at the ABA Banking Law Committee Meeting in Vancouver stated that it was unlikely that the Board of Governors would be receptive to so called silo applications by private equity funds wishing to invest in the banking business. This arguably represents the termination of any liberalization trend that might have been implied from the Fed's interpretation last Fall of its approach to the ownership of banks by non-banking companies.</p> <p>April 18, 2009. Vice Chairman of the Board of Governors of the Federal Reserve System, Donald L. Kohn, gave a speech detailing the rationale of the Fed's monetary policy during the financial crisis and responding to questions regarding the effectiveness of these measures and whether these policies result in inflation in the future or compromise the independence of the Board of Governors of the Federal Reserve System.</p> <p>April 9 - 21, 2009. Several enforcement actions "written agreements" with bank holding companies were announced.</p>

<p>FDIC</p>	<p>April 10, 2009. The informal comment period for comments on the FDIC's PPIP - Legacy Loan Program closed. 419 comments were received which the agency is currently sorting through. This program is the lineal descendent of the Troubled Asset Relief Program as originally constructed in the Emergency Economic Stabilization Act. The Legacy Loan Program announced on March 23, 2009 is in a framework form with many of the critical issues to be resolved as a result in part of consideration of public comments.</p> <p>April 10, 2009. The FDIC announced the closure of Cape Fear Bank of Wilmington, North Carolina and New Frontier Bank of Greeley, Colorado. The deposits of Cape Fear Bank (excluding brokered deposits) were assumed by First Federal Savings and Loan Association. The New Frontier Bank of Greeley failure was notable because the FDIC employed a DINBY, a Deposit Insurance National Bank to assume all of the insured deposits except brokered deposits. No buyer was willing to buy the bank or even act as agent for the payout. A DINBY had last been used for the Penn Square Bank failure in 1982. New Frontier Bank had deposits of approximately \$2 billion dollars.</p> <p>April 17, 2009. The FDIC announced the failure of American Sterling Bank of Sugar Creek, Missouri and Great Basin Bank of Elk, Nevada. All deposits of Great Basin Bank of Nevada were assumed by Nevada State Bank of Las Vegas. All deposits of American Sterling Bank by Metcalf Bank.</p>
<p>OCC</p>	<p>April 8, 2009. The Comptroller issued a rule allowing 0% risk rate on asset backed commercial paid purchased as part of the Federal Reserve's special lending facility to support money market mutual funds.</p> <p>April 17, 2009. The OCC issued a bulletin on the recent accounting guidance released by the Financial Accounting Standards Board on other than temporary impairment. The bulletin addressed background on the accounting changes and the OCC's expectation for bank management when determining whether securities have an other than temporary impairment as well as the consequent capital consequences.</p> <p>April 17, 2009. The OCC released new enforcement actions for its national banks and individuals currently or formerly affiliated with national banks.</p>

SEC	<p>April 8, 2009. The Securities and Exchange Commission invited public comment on whether the short sale price restrictions or circuit breaker restrictions should be imposed and whether such measures would help promote market stability and restore investor confidence. In June 2007 the SEC had voted to eliminate the price restrictions. They decided to re-evaluate the issue due to extreme market conditions.</p> <p>April 14, 2009. The SEC’s Office of the Chief Accountant announced the release of staff accounting bulletin SAB No. 111 which amends current staff account bulletins pronouncements to take into considerations FASB’s recent issuances on recognition and presentation of other than temporary impairments.</p> <p>April 15, 2009. The SEC reopens comment on the proposal for a model privacy form under Gramm Leach Bliley Act.</p> <p>April 15, 2009. The SEC convened its round table on credit rating agencies to consider further additional rulemaking on credit rating agencies over which it had been given jurisdiction in late 2006 in the Credit Rating Agency Reform Act.</p>
IRS	<p>April 10, 2009. The Internal Revenue Service issued notice 2009-36 and revenue procedure 2009-23 to provide guidance regarding the impact of loan modifications made pursuant to the Obama Administration’s announced home affordable modification program.</p>
FSAB	<p>April 9, 2009. The Financial Accounting Standard Board issued three final staff positions to improve guidance and disclosures on fair value measurements and impairments.</p>
Congress	<p>Week of April 11, 2009. US Senate Banking Committee held hearings on “Lessons of the New Deal,” comparing the economic parallels of the Great Depression and the New Deal with the present economic crisis.</p> <p>April 16, 2009 - Treasury released a report to Congress for the period from March 1, 2009 to March 31, 2009 pursuant to Section 105A of the Emergency Economic Stabilization Act of 2008 relating to the development, launching and implementation of a number of programs by Treasury under the troubled asset relief program and the financial stability plan both under the</p>

	<p>Emergency Economic Stabilization Act.</p> <p>April 16, 2009. The House Financial Services Committee announced the Committee will hold hearings to discuss HR 1728 the Mortgage Reform and Anti-Predatory Lending Act of 2009. The Act is aimed at curbing predatory lending which has been a major factor during the highest home foreclosure rate in the nation in 25 years.</p> <p>April 21, 2009. The TARP watchdog issued a report stating that Treasury should take steps to better manage its financial rescue efforts and that particularly Treasury’s proposal to address toxic assets would be an opportunity for fraud and collusion. The report also criticized the FDIC’s plan to have a valuation expert valuing loan pools that are proposed to be sold as part of the Legacy Loan Program.</p>
Marketplace Developments	<p>April 20, 2009. The Wall Street Journal, analyzing the loan data being tracked by the Treasury Department, reports a bleaker picture than the official figures on the continued decrease in lending.</p> <p>April 20, 2009. The Dow Jones Industrial Index descended below 8,000, led by Bank of America which announced a profit of \$4.2 billion but nevertheless expressed concerns about future credit losses. This ended a run-up in the financial sector earlier this month, helped by first quarter profits from JPMorgan Chase, Goldman Sachs and CitiGroup, as well as Wells Fargo.</p> <p>April 21, 2009. Stocks advanced the most in two weeks after US Treasury Secretary Geithner’s remarks that the vast majority of banks have enough capital.</p> <p>April 22, 2009. The Boston Globe reports “Massachusetts banks lining up to give back US funds.”</p>
Courts	<p>April 20, 2009. A US federal judge blocked Bernard Madoff’s assets from being moved into a bankruptcy, saying there is probable cause that the assets should be forfeited to the government.</p>

