

**BankBCLP**

## **FINANCIAL SERVICES UPDATE - MARCH 11, 2011**

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### *OCC CRITICIZES DURBIN AMENDMENT*

Last Friday, John Walsh, the Acting Comptroller of the U.S. Currency who oversees regulation of the nation's largest banks, sent a letter to the Federal Reserve criticizing the Fed's proposed rule to implement the Wall Street Reform Act's "Durbin debit card swipe fee" amendment. In the letter, Walsh said the Durbin amendment "takes an unnecessarily narrow approach to recovery of costs that would be allowable under the law and that are recognized and indisputably part of conducting a debit card business. This has long term safety and soundness consequences - for banks of all sizes - that are not compelled by the statute."

### *LOCKE TO LEAVE COMMERCE FOR CHINA*

On Thursday, President Obama announced that he had chosen Commerce Secretary Gary Locke to succeed Jon Huntsman as U.S. Ambassador to China. While the President has yet to announce Locke's replacement, speculation has centered on the former Mayor of Dallas and current U.S. Trade Representative Ron Kirk.

### *ATTORNEYS GENERAL MORTGAGE SETTLEMENT STALLED*

The proposed settlement by state attorneys general with the five biggest U.S. mortgage servicers leaked out this week. The proposal, which calls for a dramatic increase in loan modifications, is intended as the basis for settling allegations of widespread wrongdoing by the big loan servicers in handling millions of foreclosures. The settlement would be with Bank of America Corp, Wells Fargo & Co, JPMorgan Chase & Co, Citigroup and GMAC/Ally Financial Inc. In a press conference earlier this week, Iowa Attorney General Tom Miller, who led an investigation on behalf of the 50 states' attorneys general, predicted that a broad settlement could be reached within about two months. Miller said the agreement was worked out jointly with federal agencies including the Federal Deposit Insurance Corp, the newly created Consumer Financial Protection Bureau and Justice Department. On Tuesday, Brian Moynihan, chief executive of Bank of America, the largest U.S. servicer, said at a meeting with analysts and investors that he opposes widespread principal reductions for homeowners in default. On Thursday, Rep. Spencer Bachus (R-AL) and Sen. Richard Shelby (R-AL), the top Republicans on the House and Senate banking committees, also criticized the proposed settlement as a "regulatory shakedown."

## *BUDGET NEGOTIATIONS CONTINUE*

On Wednesday, the Senate rejected the House Republican funding proposal that would cut \$61 billion from current fiscal year spending. With the current stopgap funding measure set to expire March 17, House Republicans are finalizing a new funding extension that would impose additional spending cuts of \$2 billion a week through April 8 for a total savings of about \$6 billion. Much like the current temporary extension, the new funding resolution is expected to be free of the controversial legislative riders opposed by the White House much like the first funding resolution. Final details of the measure will be released Friday by the House Appropriations Committee and is expected to move quickly through Congress next week. The focus will then shift to the more difficult task of crafting an agreement for the last six months of this fiscal year, which ends September 30.

## *HOUSE PASSES TERMINATIONS OF MORTGAGE RELIEF PROGRAMS*

On Friday, the House passed the Emergency Mortgage Relief Program Termination Act which eliminates zero-interest loans of up to \$50,000 for out-of-work homeowners who are in default on their mortgages. The program, which was to be administered by the Department of Housing and Urban Development (HUD), would have cost an estimated \$840 million nationwide over 10 years. On Thursday, the House also voted to end the year-old FHA Refinance Program, which helped refinance loans for borrowers who owe more on their mortgages than their homes are worth. For borrowers to qualify, lenders had to agree to write off at least 10 percent of their outstanding principle balances. Though \$8 billion from the TARP program was originally set aside for the FHA refinance help, only 245 people had applied.

### **More Information**

If you have any questions regarding any of these issues, please contact:

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