

Reforming Wall Street Protecting Main Street

THE DODD-FRANK WALL STREET REFORM
AND CONSUMER PROTECTION ACT

JULY 2012



U.S. DEPARTMENT OF THE TREASURY

1 Since Wall Street Reform was enacted in July 2010...



...our financial system is **safer and stronger**.



...consumers are more **empowered and protected**.



...financial markets are **more transparent**.



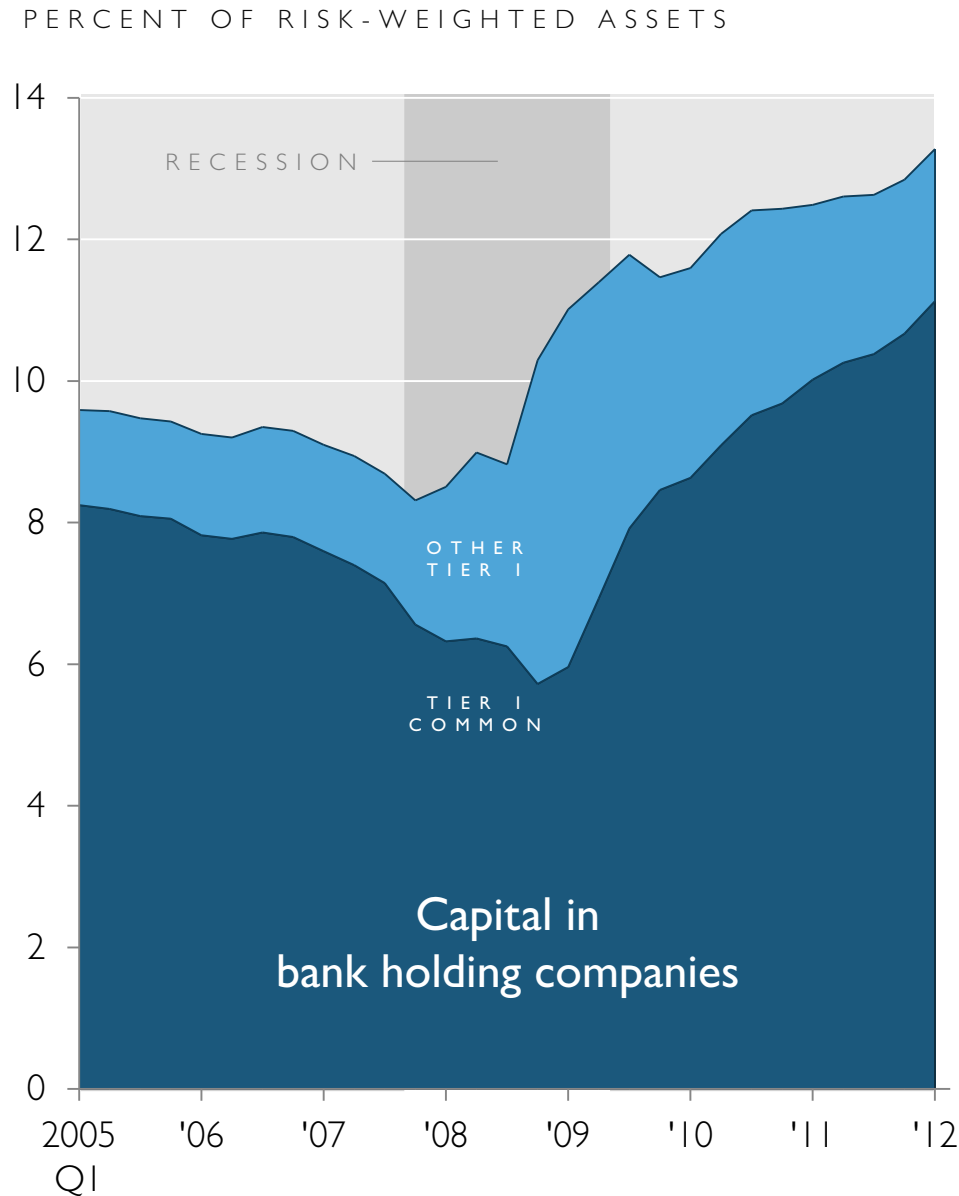
...regulators have new tools **to monitor and mitigate threats** to the financial system.



...**implementation steadily continues** despite attempts by opponents to roll back, delay, and defund reforms.

These reforms are helping build a sound foundation to support economic growth.

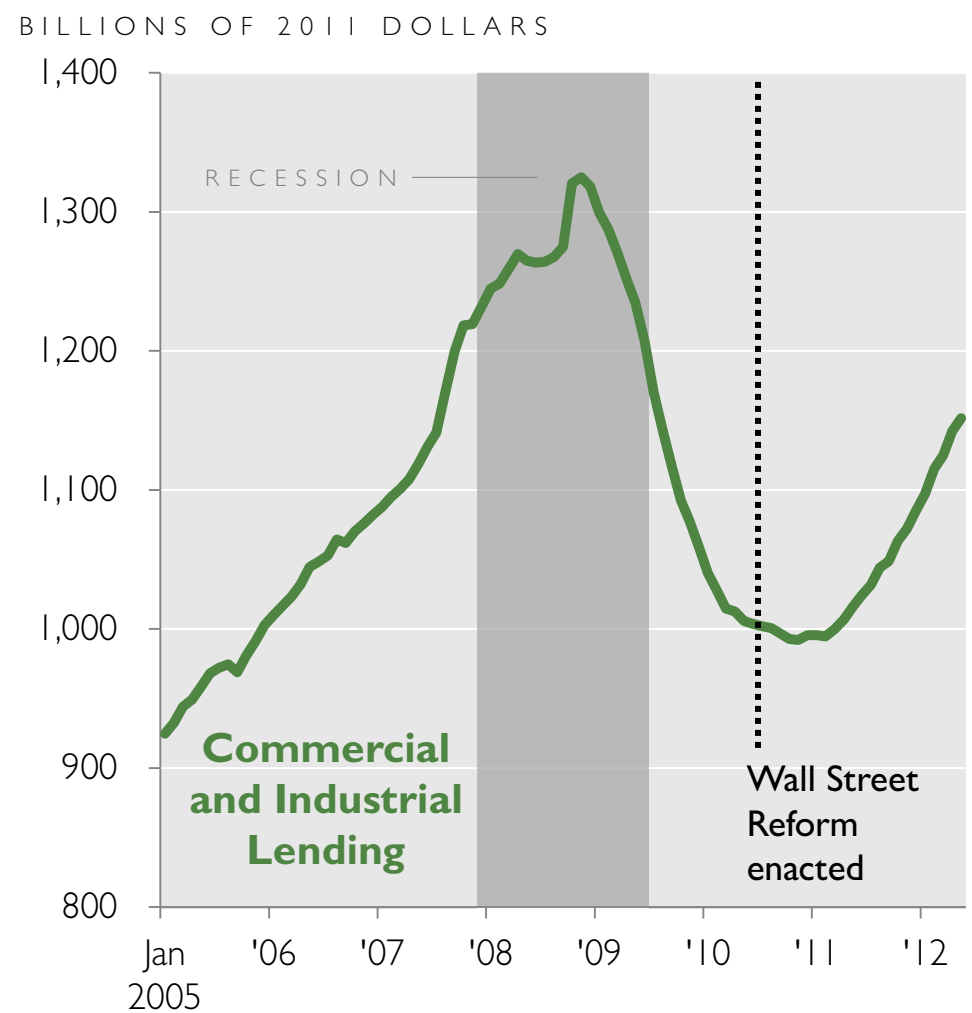
2 Our financial system is safer and stronger since the crisis...



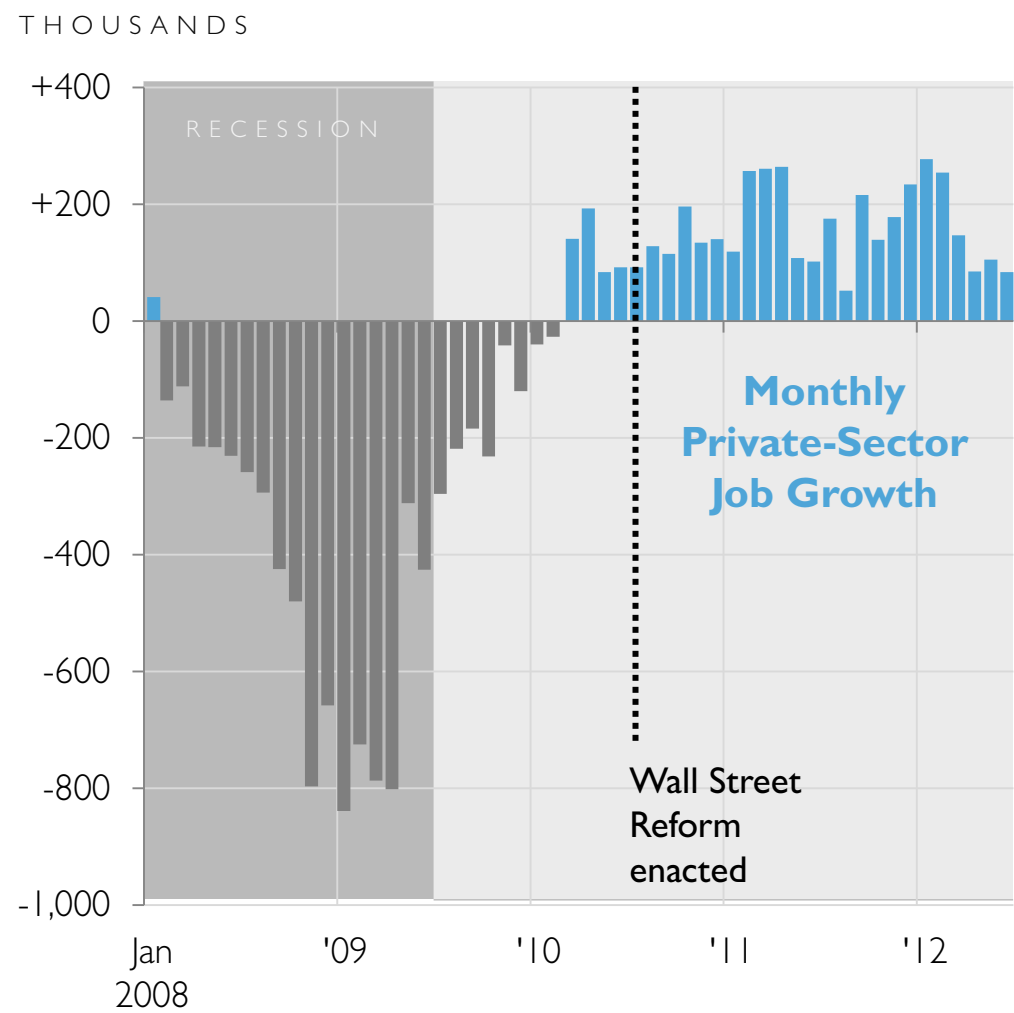
Our banks have added more than **\$420 billion** of additional capital over the last three years to:

- Cushion against unexpected losses.
- Support lending to consumers and businesses.
- Comply with the common-sense standards called for by Wall Street Reform.

3 ...and business conditions are gradually improving, although we need faster economic growth.



Business lending has increased by **15 percent** since July 2010...



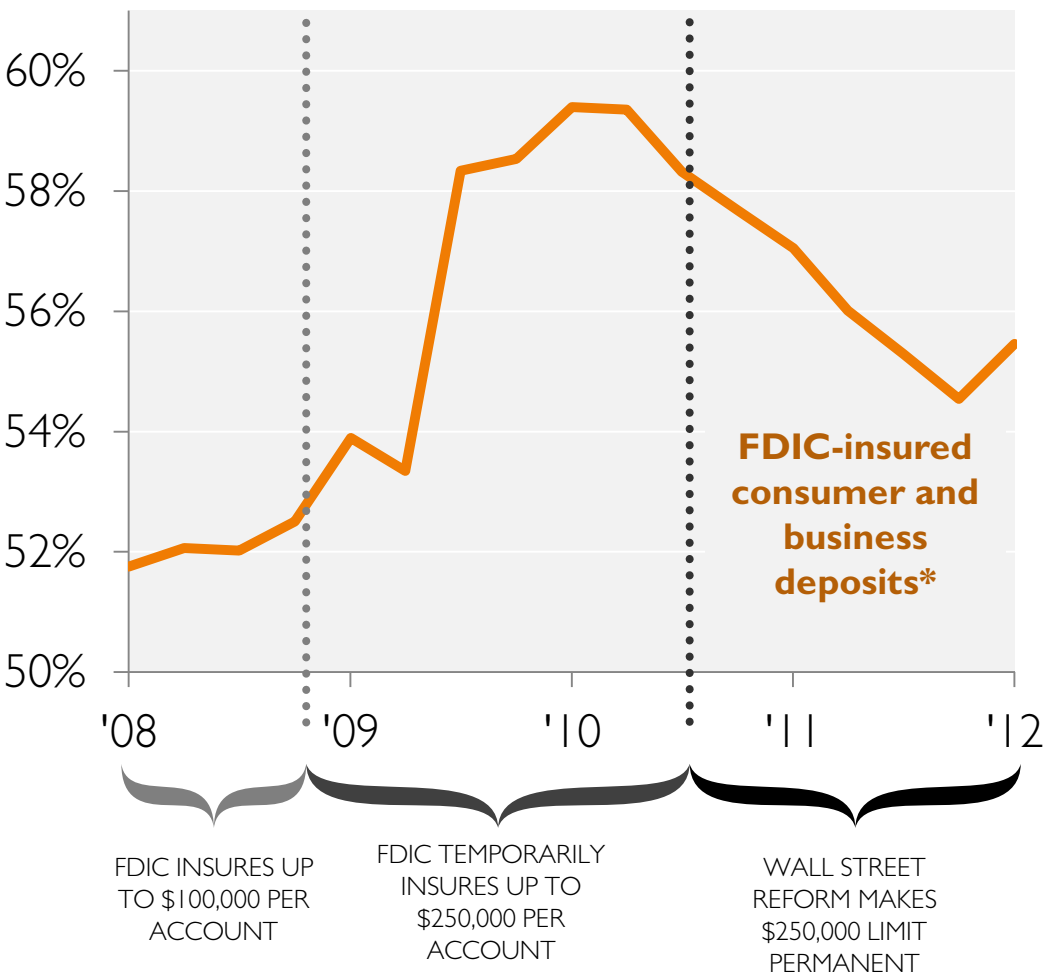
...and businesses have added jobs every month since Wall Street Reform passed, for a total of **3.8 million** jobs.

4 Savers are protected by Wall Street Reform.

Federal deposit insurance now protects **55 percent** of consumer and business deposits, up from 52 percent in early 2008.

The new financial rules are making banking safer for customers by:

PERCENT OF TOTAL DEPOSITS



Permanently increasing **federal deposit insurance coverage** to \$250,000 per depositor to protect a greater share of business and consumer deposits.




Prohibiting banks, through the **Volcker Rule**, from making speculative, proprietary bets that would put deposits at risk.

* Does not include noninterest-bearing transaction account amounts insured by Wall Street Reform through the end of 2012.

5

Consumers are empowered to make informed financial choices because of Wall Street Reform.


University of the United States (UUS)
Private 4-year
Example only, fictional data

How to pay for college Prepared for Abigail Adams, first year student

How much will it cost each year?

TOTAL COST FOR FULL TIME ATTENDANCE		\$ 29,000 / yr
Tuition and Fees	\$ 21,000	
Housing and Meals	\$ 5,000	
Books and Supplies	\$ 2,000	
Transportation and other personal expenses	\$ 1,000	
TOTAL GRANTS AND SCHOLARSHIPS		\$ 11,000 / yr
Grants from your school	\$ 5,000	
Federal Pell Grant	\$ 4,500	
Grants from your state	\$ 500	
Other scholarships you can use	\$ 1,000	
What you will pay for one year		\$ 18,000 / yr

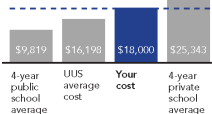
What are your loan and work study options?

FEDERAL LOANS THAT YOU ARE ELIGIBLE FOR		\$ 8,000 / yr
Perkins Loan	\$ 2,500	
Subsidized Stafford Loan	\$ 3,000	
Unsubsidized Stafford Loan	\$ 2,500	
FEDERAL WORK STUDY		\$ 4,000 / yr
PRIVATE STUDENT LOANS		\$ 6,000 / yr


After graduation, how much will you owe?

ESTIMATED MONTHLY PAYMENT FOR FEDERAL LOANS		\$ 411 / mth
Estimated total federal loan debt	\$ 37,000	
ESTIMATED MONTHLY PAYMENT FOR PRIVATE LOANS		\$ 297 / mth
Estimated total private loan debt	\$ 26,000	
YOUR TOTAL ESTIMATED DEBT		\$ 63,000
Your estimated monthly payment for all loans		\$ 708 / mth

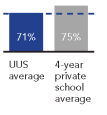
How does your cost compare?



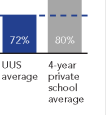
UUS student loan default rate
The percentage of students from this school who defaulted on their Federal Stafford loans within the first 3 years of repayment.



UUS graduation rates
The percentage of students who graduate within 6 years



UUS retention rates
The percentage of non-graduating students who re-enroll the following year



University of the United States (UUS)
 Financial Aid Office
 123 Main Street
 Anytown, ST 12345
 (123) 456-7890
 financialaid@uus.edu

For further explanation and next steps, visit <http://www.url.com/school/personalurl>

FINANCIAL AID SHOPPING SHEET
 PROTOTYPE FORM

The new Consumer Financial Protection Bureau (CFPB) helps make consumer financial products clearer and more understandable:



New student loan assessment tools

- A “Financial Aid Shopping Sheet” that helps students and their families evaluate the cost of college
- Already adopted by 10 major college systems representing roughly 1.4 million students, including:
 - State University of New York system
 - University of North Carolina at Chapel Hill
 - Miami Dade College

New simplified credit card contracts

- Highlights rates and eliminates legalese so borrowers “know before they owe”
- Currently testing prototype forms with the Pentagon Federal Credit Union



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Wall Street Reform helps homebuyers choose a mortgage that is right for them.

FICUS BANK
4321 Random Boulevard • Somcity, ST 12340 *Save this Loan Estimate to compare with your Closing Disclosure.*

Loan Estimate

DATE ISSUED 7/23/2012
 APPLICANTS John A. and Mary B.
 123 Anywhere Street
 Anytown, ST 12345
 PROPERTY 456 Somewhere Avenue
 Anytown, ST 12345
 SALE PRICE \$180,000

LOAN TERM 30 years
 PURPOSE Purchase
 PRODUCT Fixed Rate
 LOAN TYPE Conventional FHA VA
 LOAN ID # 123456789
 RATE LOCK NO YES, until 9/21/12 at 5:00 p.m. EDT
Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on 8/6/12 at 5:00 p.m. EDT

Loan Terms	Can this amount increase after closing?	
Loan Amount	\$162,000	NO
Interest Rate	3.875%	NO
Monthly Principal & Interest <i>See Projected Payments Below for Your Total Monthly Payment</i>	\$761.78	NO
Prepayment Penalty	Does the loan have these features?	
Balloon Payment	NO	

Projected Payments	Years 1-7		Years 8-30	
Payment Calculation				
Principal & Interest	\$761.78		\$761.78	
Mortgage Insurance	+	82	+	—
Estimated Escrow <i>Amount Can Increase Over Time</i>	+	206	+	206
Estimated Total Monthly Payment	\$1,050		\$968	
Estimated Taxes, Insurance & Assessments <i>Amount Can Increase Over Time</i>	\$206 a month	This estimate includes <input checked="" type="checkbox"/> Property Taxes <input checked="" type="checkbox"/> Homeowner's Insurance <input type="checkbox"/> Other: <i>See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.</i>	In escrow? YES YES	

Cash to Close		
Estimated Cash to Close	\$16,054	Includes \$8,054 in Closing Costs (\$5,672 in Loan Costs + \$2,382 in Other Costs - \$0 in Lender Credits). See details on page 2.

Visit www.consumerfinance.gov/learnmore for general information and tools.

LOAN ESTIMATE PAGE 1 OF 3 • LOAN ID # 123456789

Helping Borrowers Obtain an Affordable Mortgage

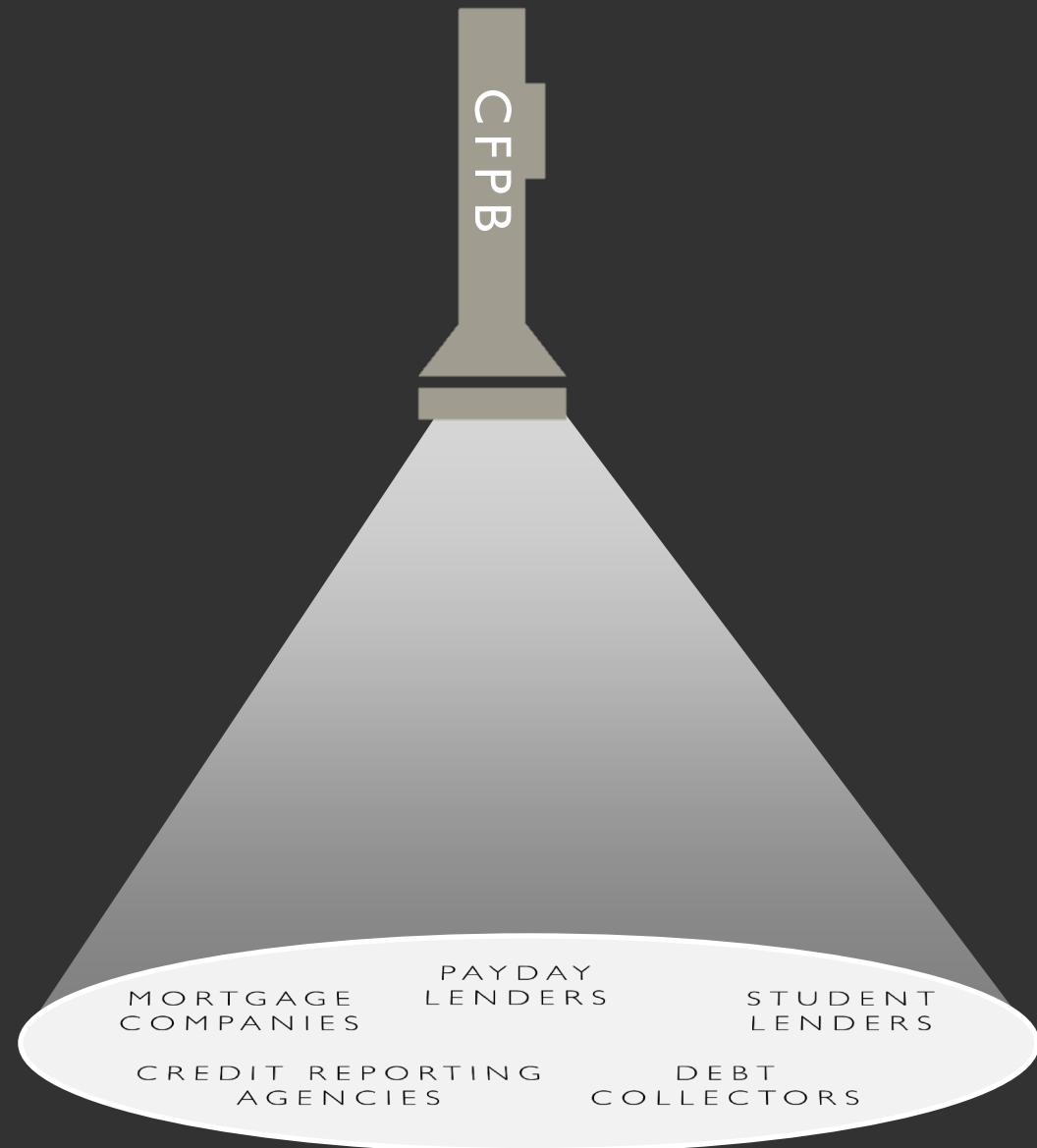
- The CFPB is making it easier to shop for and close on a mortgage with proposals that:
 - Simplify loan estimates and closing documents
 - Give clear warnings about potentially risky features such as pre-payment penalties or rising loan balances
 - Place new restrictions on closing cost increases so that consumers do not pay more than the amount stated on their loan estimate

Holding Mortgage Servicers Accountable

The CFPB is also developing rules that will require servicers to:

- Provide borrowers with clear monthly statements
- Give borrowers earlier warnings about adjustments in interest rates
- Inform struggling borrowers about mortgage modifications and other foreclosure alternatives

7 The CFPB will now supervise consumer financial products and services that once operated outside of federal oversight.



The CFPB has already begun to oversee the products and practices of:

- Payday lenders
- Private student lenders
- Mortgage originators, brokers, and servicers

The CFPB is also preparing to oversee the largest players in other markets:

- Credit reporting agencies
- Debt collection agencies
- Other potential areas include:
 - Debt relief services
 - Prepaid card industry
 - Money transfer companies
 - Check cashing businesses

The CFPB is already bolstering oversight:

- Today, the CFPB has more than 230 examiners stationed in four regional offices and is reviewing the operations of some nonbank financial companies.

8 Wall Street Reform is empowering shareholders and influencing companies to change their compensation practices.



Say-on-Pay Votes

Wall Street Reform arms investors with more detailed information about senior executive compensation packages and then gives them a vote to express their views.

Even when shareholders approve executive compensation packages, the added scrutiny of “Say on Pay” proposals has helped change compensation practices.



Clawback Policies

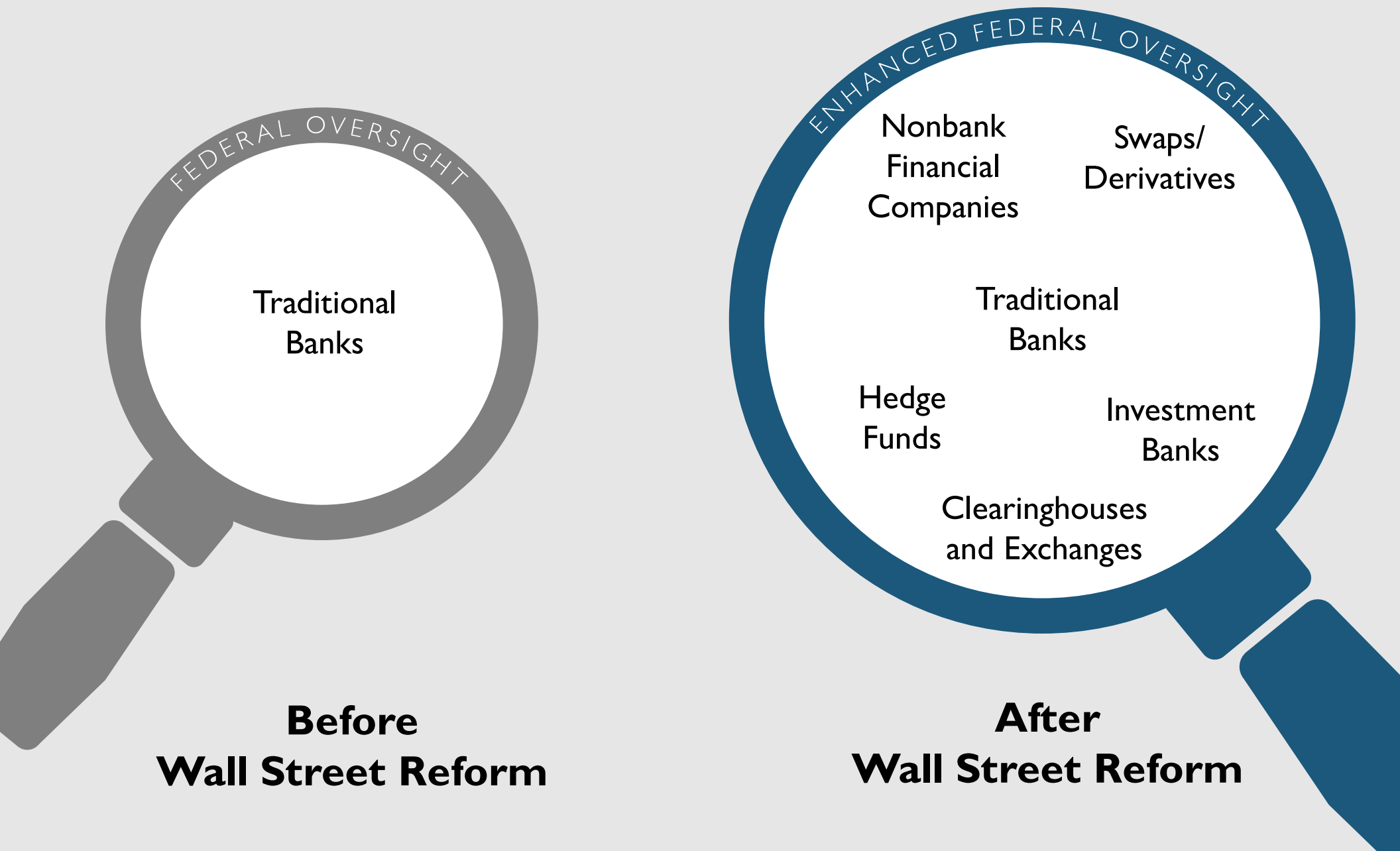
If a publicly-traded company restates its earnings because of serious accounting errors...

...it must seek repayment of compensation from any past or present executive officer in excess of what would have been paid under the restatement.

If a large financial company is put into receivership...

...the FDIC can take back the last two years of compensation from any senior executive or director, past or present, who is substantially responsible for the failure of the firm.

9 Wall Street Reform puts large financial firms that once operated outside of federal oversight under greater scrutiny.



10 ...and establishes new ways to identify potential threats to the financial system...



Financial Stability Oversight Council (FSOC)

- Established as a central forum for senior federal officials to flag concerns and monitor developments in the financial markets
- Although the FSOC is required to convene only four times a year, there have been 19 meetings over the last two years.
- Produced first-ever comprehensive report on the health of the financial system



Office of Financial Research (OFR)

- Identifies and monitors emerging risks in the financial system
- Fills gaps in financial data and research for the FSOC and the public



Stress tests

- Requires the Federal Reserve to conduct annual reviews of the nation's largest banks to assess their ability to weather a severe financial storm
- Helps restore investor confidence and encourages the return of private capital into the banking system

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...and creates new tools to wind down large financial firms so that taxpayers do not bear the burden of the firms' mistakes.



Resolution authority gives regulators legal tools for winding down large financial firms that are similar to the ones they have long used to wind down traditional banks in order to:

- Prevent serious adverse effects on financial stability
- Prevent taxpayers from ultimately bearing the losses

Regulators did not have these powers when they were addressing the failures of Lehman Brothers and AIG during the fall of 2008.



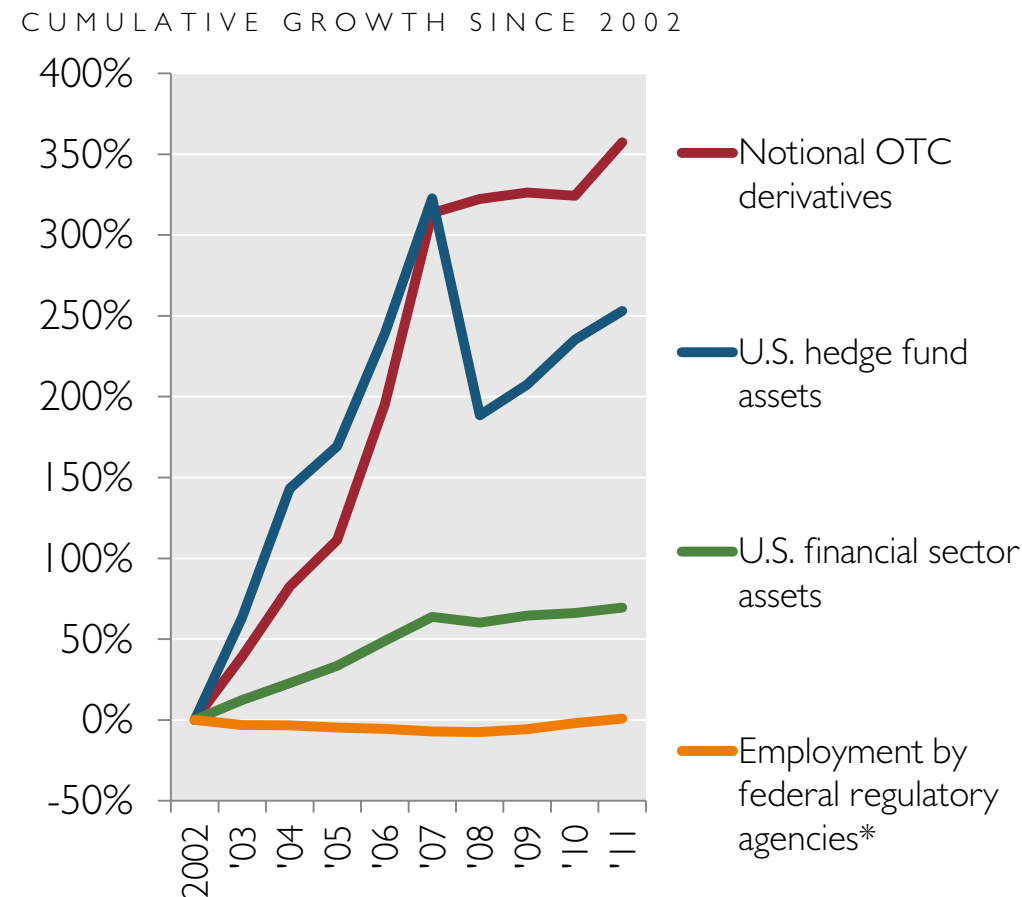
Living wills provide a blueprint for the bankruptcy of large financial institutions so that these firms and their regulators can make informed decisions in the event of serious financial distress or failure.

- In July 2012, nine of the largest financial firms submitted living wills to the Federal Reserve and FDIC.
- Another 115 firms are expected to submit plans to the agencies over the next year.

12 Federal oversight must keep pace with the size and complexity of the financial markets.

While the size of financial markets has grown dramatically over the last decade, the number of regulators to police them has not.

The recent financial crisis shows that the cost of inadequate oversight can be devastating:



\$19 trillion
in lost household wealth
(2007 Q2 – 2009 Q1)



8.7 million
lost jobs
(December 2007 – February 2010)



6.3 million
more Americans in poverty
(2007 – 2009)

* SEE NOTES.

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Yet opponents of Wall Street Reform have repeatedly tried to roll back, delay, and weaken the rules.

Since the legislation passed in July 2010, opponents have:



- **Proposed more than 50 bills** and countless amendments to gut or slowdown Wall Street Reform – including full repeal of the legislation.



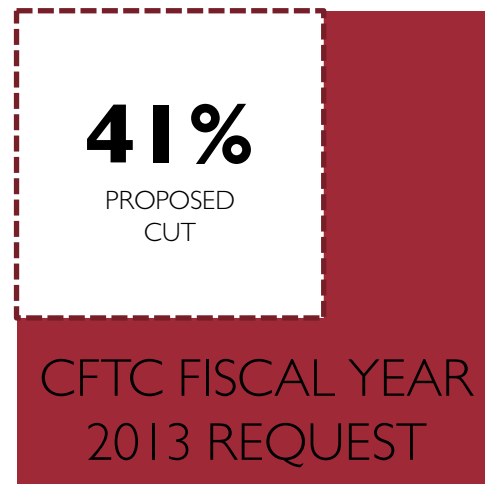
- **Mounted legal challenges** that have blocked investor protections, would prevent derivatives rules from taking effect, and would dismantle the CFPB and undermine the FSOC as well as other important aspects of the legislation.

14 Budget cuts could further undermine implementation and enforcement of Wall Street Reform.

The House of Representatives has proposed to cut **\$195 million** from the President's Securities and Exchange Commission (SEC) budget request for Fiscal Year 2013...

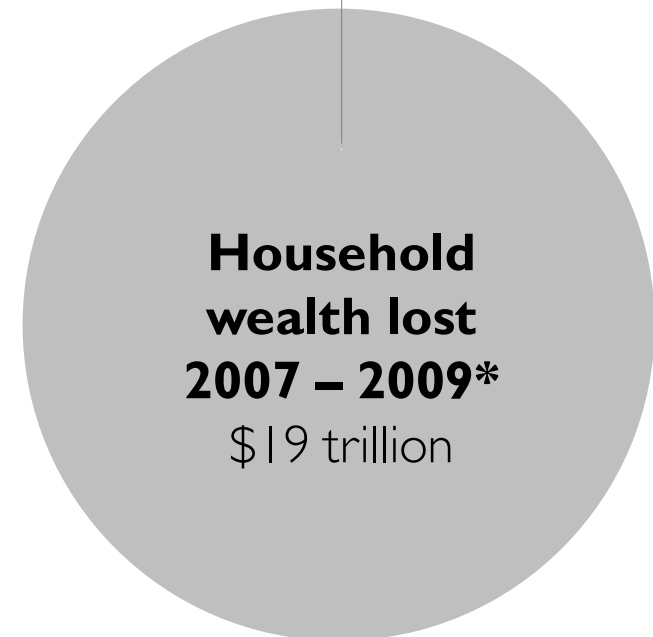


...and another **\$128 million** from the President's Commodity Futures Trading Commission budget request.



These cuts are **less than .002%** of the total household wealth lost during the 2007-09 financial crisis.

Proposed SEC and CFTC cuts
\$323 million



* SEE NOTES

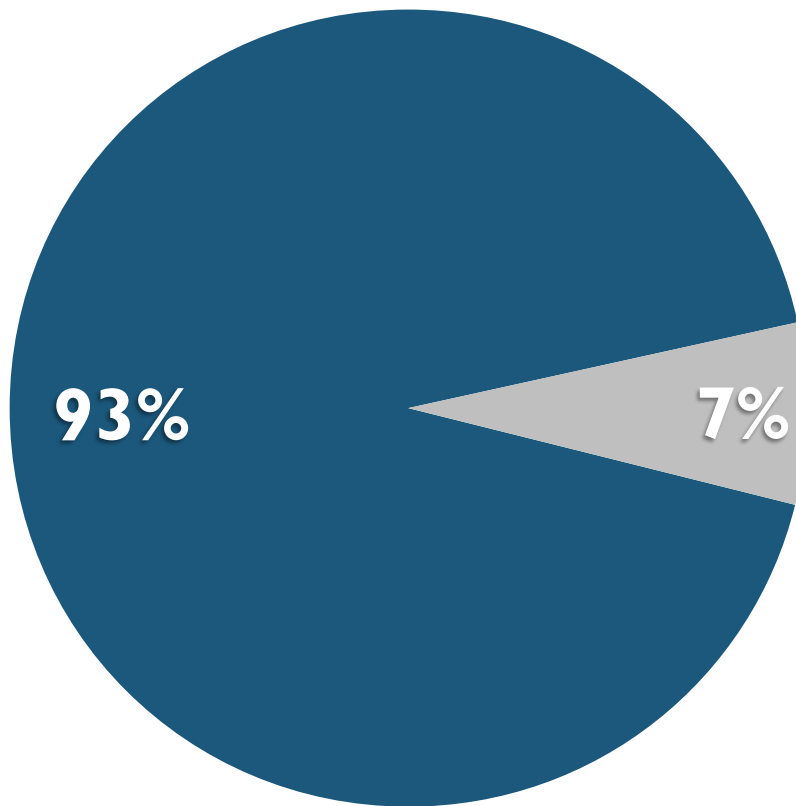
SOURCE: HOUSE APPROPRIATIONS COMMITTEE, FEDERAL RESERVE, BUREAU OF ECONOMIC ANALYSIS

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Even so, implementation steadily continues as the rule-writers balance speed and diligence.

Dodd-Frank Rule-Making Progress on Past Deadlines

Deadlines Before July 2, 2012



■ Proposed or Finalized ■ Not proposed or finalized

The vast majority of the rules will be proposed by the end of this year which will:

- Protect customers
- Constrain excessive risk taking
- Limit the impact of financial institution failures
- Bring derivatives into the daylight
- Reform executive compensation

That leaves the industry, consumers, and the marketplace with a good picture of where we are headed in the years to come.

N Notes and Sources

Chart 12

“Employment by Federal Regulatory Agencies” measures growth in the sum of full-time equivalent (FTE) employment in the SEC, CFTC, FDIC, NCUA, CFPB, OTS, FSO, OFEO, FHFA, OCC, and the Federal Reserve.

Chart 14

Difference in household net worth from peak (2007 Q2) to trough (2009 Q1) from the Federal Reserve Flow of Funds. Inflation-adjusted to 2011 dollars using the PCE price index.

Icons

The Noun Project (<http://www.thenounproject.com>) collection

Chart 1

“Shield” by Sidney Chagas

Family icon taken from “Genetics” by Jack Biesek, Gladys Brenner, Margaret Faye, Heather Merrifield, Kate Keating, Wendy Olmstead, Todd Pierce, Jamie Cowgill, and Jim Bolek.

“Magnifying Glass” by Ana Carolina Santos

“Fire Extinguisher” by Roger Cook and Don Shanosky

“Crane” by Kenneth Von Alt

Chart 2

“Shield” by Sidney Chagas

Chart 4

“Piggy Bank” by Patrick Brentano

“Dice” by The Noun Project

Chart 5

“Credit Card” by The Noun Project

“Graduate” by Thomas Weber

Chart 8

“Light Bulb” by The Noun Project

“Crab” by Okan Benn

Chart 10

“Meeting” by Ben King

“Pulse” by Sébastien Desbenoit

“Bar Graph” by Fernando Vasconcelos

Chart 11

“Museum” by Joris Hoogendoorn

“Blueprint” by Ofer Lehr

Chart 12

“Piggy Bank” by Thibault Geffroy

“Worker” by Kris Khoury

Family icon taken from “Genetics” by Jack Biesek, Gladys Brenner, Margaret Faye, Heather Merrifield, Kate Keating, Wendy Olmstead, Todd Pierce, Jamie Cowgill, and Jim Bolek.

Chart 13

“Capital” by Jonathan Keating

“Gavel” by Connie Shu

“Hand” by Megan Strickland