



# **INAFP**

Inland Northwest Association for Financial Professionals

## *INAFP NEWS*

**May 2010**

**[www.inafp.org](http://www.inafp.org)**

### **March Meeting Recap**

Joe Vincent, DFI General Counsel, presentation focused on the economic crisis that began in 2007.

#### Surveying the Damage

The economic crisis began with the bursting of the housing bubble but did not end there.

- Home loan defaults
- Foreclosures in key markets
- Job layoffs and bankruptcies in the financial market
- Demise of major investment houses
  - Bear Sterns
  - Merrill Lynch
  - Lehman
- Wall Street headed in a tailspin seemingly overnight
- Credit crunch
- Failure of AIG
- Collapse of GM and Chrysler
- Bank closures

#### Housing Trends

- Decrease in the number and percentage of homeowners who are going into default
- Homeowners already in default are contributing in greater proportion to

the continuing upward trend in serious delinquencies and foreclosure inventory

- Federal and state programs to help distressed homeowners are helping, but only certain borrowers either qualify for this relief or are capable of affording even modifications

#### Mortgage Inventory Statistics

- As of 4<sup>th</sup> quarter 2008, excess of 43.6 million FLRM in the US
- Washington State had nearly 1.2 million FLRM
- Washington State was 15<sup>th</sup> in the nation in the number of FLRM
- California was first in the nation with nearly 5.8 million FLRM being serviced

#### Foreclosure Inventory

- Nearly 2 million primary home loans were in foreclosure as of 2009 year end
- At the end of 2009 in Washington State nearly 25,000 primary home loans were in foreclosure
- Washington State ranked 43<sup>rd</sup> in the percentage of FLRM in foreclosure
- Florida was worst in the nation with nearly 13.5% of its primary home loans in foreclosure as of year-end.

## Banks

- Washington Mutual was the largest bank failure in the nation's history.
- Washington State has had 7 state bank failures in the last 14 months
- "Too big to fail" institutions were propped up by the government; two of the largest were Citigroup and Bank of America totaling \$437.3 Billion

## Deposit and Mortgage Servicing

### Concentrations

- Five of the largest banks hold 48% of the deposits
- Bank of America claims to hold deposits of 50% of all the consumer depositor households in the US
- Five of the largest banks and their affiliates hold 67% of the mortgage servicing business

### What caused the meltdown? Contributing factors include:

- Lax Wall Street and Federal regulations
- Unprecedented global investment demand
- System was not transparent to industry risk managers or regulators
- Speculation was rampant in key markets right before the housing bubble burst
- Widespread lack of adequate underwriting
- Opportunity for predatory lending tactics
- With no market discipline, mortgage fraud become prevalent
- Liquidity exposure related to credit default swaps
- Mortgage crisis on the general capital markets
- Regulation by disclosure instead of policing of products
- Lack of coordinated federal agency regulation of mortgage lending

- Federal Reserve monetary policies
- Certain accounting standards may have hastened institutional failure after crisis hit

### Initial Government Relief Efforts

- HR 3221 (2008) provided some immediate relief with FHA Reform, VA Loan Limits, SAFE Mortgage Licensing ACT, GSE Reform and Stabilization
- TARP

### Plans for Regulatory Reform include five main goals:

- Supervision and regulations of financial firms with an emphasis on firms that pose significant risk
- Establish comprehensive supervision and regulation of financial markets
- Enhance consumer protection
- Improve tools to manage financial crises
- Raise international regulatory standards and improve international cooperation

Stay tuned as regulatory reform plans are presented.

## April Meeting Recap

Stephen Prince from Merchant-e Solutions was our April speaker. Stephen's presentation provided insight into:

- The Credit Card Act
- New ways to defraud cardholders and merchants
- Visa and MasterCard Changes/Brand Protection
- Federal Trade Commission
- Fraud schemes

### The Credit Card Act

- Removes retroactive rate hikes
- Longer grace period
- Limited marketing to youth
- Limit to Over-limit fees
- Limits to opening fees for sub-prime accounts
- Disclosure of minimum payment
- Effective February 22, 2010

### MasterCard and Visa Changes

- MasterCard Assessment increasing
- New products and criteria
- US VISA debit card fees increasing

### VISA and MasterCard Brand Protection

- Additional efforts to protect cardholders from merchants whose are considered suspect
- Focused on businesses in the following sectors; Acai, Nutraceuticals, Detoxification, Teeth Whitening, Make Money from home or on the internet, Take Advantage of Government programs, Foreclosure lists
- Continuity – trial periods, free shipping and recurring billing – most of these businesses prey on cardholders who are unsuspecting and do not watch their statements.

### The Federal Trade Commission (FTC)

- Entering the picture to also protect cardholders from unscrupulous merchants

## Fraud Schemes

- New methods to defraud both ACH providers and acquirers
- Advertise over the Internet
- Seek people with bank accounts to either accept ACH payments or obtain a merchant account. Deposits from either of these channels is then wired out typically off-shore
- ACH payments stay under the \$10,000 reporting thresh-hold – Merchant Deposits around \$50,000.
- America still considered a playground for fraud activities
- Latest activities surround Eastern Block Cards and huge refund activity
- Taking over Pay Pal Manager and other On-Line Virtual Terminals
- FBI and Secret Service continuing to track

## Fast Facts - Top US Acquirers

- First Data 14.02 Billion
- Bank of America 12.47 Billion
- Fifth Third 7.24 Billion
- Chase Paymentech 5.90 Billion
- Heartland 2.39 Billion
- RBS World Pay 2.32 Billion
- Elavon 2.01 Billion

## Top Acquirer Volume up 9.9% over 2008

- First Data volume includes revenue sharing alliances
- Bank of America figures include legacy and annualized joint venture activity with the First Data
- Increased merchant portfolios for sale over the past few years as financial institutions seek additional capital.
- Over 1,000 community and regional Banks have gotten out of the credit card business in the past 15 years. Selling Portfolios collectively valued over \$250 Billion

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## May's Meeting Topic

Please join us and our speaker Debbie Smart for her timely presentation on Fraud & Security, the Next Generation. Debbie Smart is a Senior Product Consultant for ACI Worldwide. As a consultant at ACI, Debbie works with financial institutions to define best practices for implementing web-based payments and reporting solutions. Debbie has 29 years of banking experience, which includes sales, product development, customer service, and management in ACH operations and cash management. She is a featured speaker at many major banking related industry events.

Prior to joining ACI, Debbie was the Manager of the Community Bank Group at Global Payment Systems, and previous to that spent many years with First Security Bank, headquartered in Salt Lake City. Debbie worked in both operations and cash management and more recently headed their cash management department for Idaho.

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### 2010 NW Summit for Financial Professionals

The Northwest Summit for Financial Professionals invites you to join "On the Horizon" our Twenty First Annual Conference. The 2010 NW Summit for Financial Professionals will be held on May 19-21, 2010 at the Governor Hotel in Portland Oregon. This conference brings together treasury professionals from various Northwest regions providing you with dynamic educational and networking opportunities.

This two-and-a-half day conference is designed for all levels of treasury management expertise including Treasury Managers, CFO's, Controllers, Accountants, Lawyers and providers of treasury management services in both practitioner and managerial roles.

Our agenda is tailored to fit your needs, from speakers that cover a broad spectrum of treasury topics including risk management, BCP, electronic payments, short-term investments, international ACH, global treasury, compliance and virtual vaults. Also built into the program are basic classes that help prepare individuals for the Certified Treasury Professional (CTP) Exam. Enjoy earning continuing education credits for CPA, CTP, CCM, and CLE during two-and a-half days of networking and educational fun.

Online registration for the conference is available. Please visit the website, [www.northwestsummit.org](http://www.northwestsummit.org) for more information.

TO QUALIFY FOR THE REGIONAL AFP MEMBERSHIP DISCOUNT please email Jennifer Conley at [conley.jennifer@comcast.net](mailto:conley.jennifer@comcast.net). In your email please reference your first and last name and regional association. Once membership has been verified, you will receive a personal member discount code. The qualifying regional associations are AFP of Oregon & SW Washington, IN AFP, NWAFFP or Idaho AFP

For additional information or questions:

Sponsorship Opportunities: Tommy Leong (425) 965-4105

Speaker Facilitator: Stephen Prince (509) 232-5639

General Communication: Jennifer Conley (503) 481-3331



## President's Message

Greetings!

We are coming to the conclusion of another INAFP meeting year. Thank you to all of you who have attended our meetings. I hope that you found them to be both informative and a worthwhile investment of your time. As we wrap up the year, we will be sending out our annual survey to find out which meeting topics you enjoyed, and to get your input on future meeting topics. Please help us to bring you the topics you would like to see in the future by completing the survey.

You can also help to determine up coming meeting topics by serving on the board. Serving on the board truly requires a small investment of time, but provides ample opportunity to work with some great people and make some new friends among financial professionals in the Inland Northwest. If you are interested in serving, please contact me prior to the May 27 meeting.

Also, it's not too late to register for the Northwest Summit in Portland. As members of the INAFP, there is still a registration fee discount even though the early registration discount no longer applies. Visit <http://www.northwestsummit.org> for more information and online registration.

Have a wonderful month and I hope to see you at the May 26<sup>th</sup> meeting.

Sincerely,

Brian Eldred

### 2009 – 2010 Board of Directors:

<i>Brian Eldred / President</i>	URM Stores, Inc.	<a href="mailto:beldred@urmstores.com">beldred@urmstores.com</a>
<i>Jessy Hummel / Treasurer</i>	Wells Fargo Bank	<a href="mailto:jessy.w.hummel@wellsfargo.com">jessy.w.hummel@wellsfargo.com</a>
<i>Pat Coats / Secretary</i>	Sterling Savings Bank	<a href="mailto:pat.coats@sterlingsavings.com">pat.coats@sterlingsavings.com</a>
<i>Mark Eide / Facilities</i>	URM Stores, Inc.	<a href="mailto:meide@urmstores.com">meide@urmstores.com</a>
<i>Denise Burns / Speakers</i>	Avista Corporation	<a href="mailto:denise.burns@avistacorp.com">denise.burns@avistacorp.com</a>
<i>Stephen Prince/ Membership</i>	Merchant e-Solutions	<a href="mailto:sprince@merchante-solutions.com">sprince@merchante-solutions.com</a>