The George Washington University
Trachtenberg School of Public Policy and Public Administration
PPPA 6061-10 (CRN 75062)
Banking and Financial Institutions Policy
Spring 2016 Syllabus
As of January 6, 2016

Time: 6:10 p.m. – 8:00 p.m., Mondays
Location: Hall of Government, Room 104 (710 21st St., NW)

Professor: Joseph Firschein
joseph.a.firschein@frb.gov
703-731-5992 (cell)
202-736-5531 (work)
Office hours by appointment

Course Description:
This course examines the broad range of policy issues applicable to banking and financial institutions -- including those related to monetary policy, financial stability, consumer protection, and community reinvestment. This area includes a number of questions that are at the forefront of the current national policy debate about the appropriate role of government and how best to regulate financial institutions and financial markets. Key questions include the following:

- What were the key provisions enacted in 2010 as part of the Dodd-Frank Wall Street Reform and Consumer Protection Act (DFA) and what are alternative perspectives on the likely effectiveness of these provisions in preventing future financial and mortgage crises?
- What was the rationale for the Federal Reserve’s monetary policy actions in response to the financial crisis and what are alternative perspectives on these actions?
- Are some banks still “too big to fail” and, if so, what are alternative policy solutions that have been proposed to address this problem?
- How has technology and innovation changed the banking and financial services sector and what are the implications of these changes for public policy?
- Finally, what is the structure of consumer financial protection post-DFA and what are alternative perspectives on the consumer protection policies that are now in place related to mortgage lending and foreclosure practices?

The course is designed to be a general survey of these issues for students with different levels of work experience and career interests. It is appropriate for students interested in policy roles at a wide range of public and private sector organizations, including at federal banking regulatory agencies such as the Federal Reserve, the Office of Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Consumer Financial Protection Board; at executive agencies such as the U.S. Treasury Department or Small Business Administration; in federal or state legislative policy
organizations; at consumer or community development organizations; and in the financial services industry or at industry trade associations. The course also is appropriate for any student interested in regulatory policy generally given parallels between bank regulation and other regulatory policy areas. Although the course includes a discussion of finance and banking terms commonly used by regulators, financial institutions, and public sector agencies that work with the financial services sector, no previous finance or banking experience is required.

**Course Prerequisites:** None

**Required Texts:**


For other required readings available for free via the web, see details below under each class. Note that in addition to the required class readings, in some cases there are a number of “additional optional readings.” These readings are for students seeking additional information on a particular topic.

**Student Learning Outcomes:**

As a result of completing this course, students will be able to:

1) Describe the history of major U.S. banking and financial regulation and deregulation prior to the enactment of the Dodd-Frank Act in 2010;

2) Identify alternative perspectives on the problems with the financial regulatory framework leading up to the mortgage and financial crisis of 2007-2008;

3) Understand the key changes enacted as part of the Dodd-Frank Act, including provisions related to financial stability, systemic risk, and consumer protection;

4) Understand and evaluate alternative perspectives on the Federal Reserve’s monetary policy actions and the policy debate over the appropriateness of Fed’s “dual mandate” compared to potential alternatives used by other central banks;

5) Describe and analyze the role that technology and innovation has played in the banking and financial services sector and the impact of this change for public policy;

6) Identify the key provisions and policy issues associated with the Community Reinvestment Act (CRA); and

7) Understand the history of consumer protection regulation in the financial services sector, including consumer issues related to the regulation of high-risk mortgage lending.

**Class Requirements and Grading:**

Students are expected to complete the following requirements:
1. **Class Participation (15%)**: Regular course attendance is required. The class participation grade will be based on student participation in the class discussions of the assigned required readings and cases. It will also be based on student understanding of the assigned required readings as indicated by class discussions. In class, students should be prepared to discuss the assigned required readings and may be called on to answer questions or summarize assigned articles and cases. Note: students will not be expected to read the “additional optional readings” listed on the syllabus for some class sessions. As noted above, those optional readings are for students seeking more information on a particular topic.

2. **Policy Memo (30%)**: Students will write an individual policy memo related to banking and financial institutions policy. The memo will be organized in the form of a briefing for a member of Congress. The memo will provide an opportunity for students to explore the policy arguments on different sides of an emerging issue. The memo should be no longer than 10 double spaced pages. Detailed instructions for the memo will be posted on Blackboard. In addition, students should refer to the grading rubric at the end of this syllabus for information on the factors that will be considered in grading the policy memo and the weights that will be applied to each factor.

3. **Midterm Exam (30%)**: The exam will focus on items specifically discussed in class and in the assigned readings for the class sessions prior to the exam date. It will be a combination of short answer and multiple choice questions.

4. **Final Group Presentation (25%)**: Students will divide into small groups and collaborate on a PowerPoint presentation providing an in-depth analysis of one of the major regulatory policy issues discussed in this course, including those related to monetary policy, financial stability, consumer protection in the mortgage market, or community reinvestment. Detailed instructions for the Final Group Presentation will be posted on Blackboard.

**Background on Instructor:**
Joseph Firschein is Deputy Associate Director and Community Affairs Officer at the Federal Reserve Board of Governors. He leads the Board’s community development and policy analysis teams that are responsible for analyzing emerging consumer and community development policies and practices in order to understand their implications for the economic and supervisory policies that are core to the central bank's functions. These teams provide members of the Board of Governors and other divisions with recommendations for policy considerations. They also promote economic growth and financial stability for low- and moderate-income communities and individuals through a range of activities, including convening stakeholders for discussions on issues, conducting applied research, and gathering information on financial conditions. Through these mechanisms, the staff helps inform Board Members and external policymakers on a number of issues including: potential opportunities to mitigate foreclosure impacts, increasing affordable housing, improving access to small business credit, and connecting low-income individuals to appropriate financial services and jobs.
Prior to joining the Federal Reserve Board, Joseph served as a Director in Fannie Mae’s Housing and Community Development Division where he managed the business segment responsible for financing community development financial institutions and led the company’s efforts to sell foreclosed single family homes to public entities and nonprofits. Prior to joining Fannie Mae, Joseph managed lending to community development financial institutions at the U.S. Treasury Department Community Development Financial Institutions (CDFI) Fund and served as lead community development analyst at the U.S. Office of Management and Budget (OMB) Housing Branch. Joseph has served as a board member of several local nonprofit community development organizations and is an adjunct professor at Georgetown University and George Washington University, where he teaches courses on community development finance and policy. Joseph has an MBA in Finance from the University of Maryland, Robert H. Smith School of Business; a Masters in Public Policy from the University of California, Berkeley, Goldman School of Public Policy; and a B.A. in Psychology from Stanford University.
**Class Schedule**  
*(Note: Guest speakers are still being confirmed)*

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<tr>
<th>Date</th>
<th>Topic</th>
<th>Reading</th>
<th>Assignment</th>
<th>Homework</th>
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| Jan. 11| Review of course organization and assignments.                        | 1)      | Acharya V. et al.  
Regulating Wall Street (course textbook). Pages 1-32. |
| Class 1| Introduction and overview: What is the history of major U.S. financial regulation and deregulation prior to the enactment of the DFA? What are some of the market and regulatory problems that led to the mortgage and financial crisis of 2007-2008 and what high level policy steps did the DFA take to address these problems? What are some of the commonly used banking and finance terms that we will cover in this course? What are the key banking and financial regulatory agencies and what are their major areas of responsibility? | 2)      | Volker Alliance Report. “Reshaping the Financial Regulatory System.” Pages 1-43.  
April 20, 2015.  
https://volckeralliance.org/resources/reshaping-financial-regulatory-system | |
|        |                                                                       | 3)      | Krugman, P. “Obama’s Other Success: Dodd-Frank Financial Reform is Working.”  
August 3, 2014.  
http://www.federalreserve.gov/newsevents/speech/bernanke20140103a.htm | |

**Additional Optional Readings:**

1) Frank, B. October 10, 2011 interview with Charlie Rose.  
http://www.youtube.com/watch?v=8cMa0viv-1E&feature=related

https://www.youtube.com/watch?v=S_ZVxUjeHjg  
https://www.youtube.com/watch?v=gFZiSmxxhQ

http://video.cnbc.com/gallery/
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<tr>
<th>Jan. 18</th>
<th>No class – Martin Luther King Jr. Day</th>
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<tr>
<td>Jan. 25</td>
<td><strong>History and Role of the Federal Reserve:</strong> What is the history of central banking policy in the U.S.? What are the key responsibilities of the Federal Reserve, including the so-called “dual mandate” in monetary policy and how do the Fed’s responsibilities compare with those of other central banks? What was the impact of the DFA on the Fed’s responsibilities?</td>
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2) Bernanke GW Lectures #1 and #2 (including both video and PowerPoint). March, 2012. 


**Additional Optional Readings:**

   [http://www.federalreserve.gov/newsevents/speech/bernanke20131108a.htm#fn1](http://www.federalreserve.gov/newsevents/speech/bernanke20131108a.htm#fn1)


4) Charles Evans speech on the Fed’s dual mandate.
Central Banking and the Financial Crisis: What monetary policy tools did the Federal Reserve utilize during the mortgage and financial crisis of 2007-2008 and the subsequent weak economic conditions? What are the policy arguments for and against these tools and what are alternative perspectives on whether additional/alternative tools should be used?


**Additional Optional Readings:**


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<th>Reading</th>
<th>Notes</th>
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<tr>
<td>Feb. 8</td>
<td>Class 4</td>
<td>Bank Safety and Soundness and Systemic Risk: What is systemic risk and what are the key policy issues posed by the systemic risk of financial institutions? What policy changes were put in place after the financial crisis to address systemic risk, including changes enacted as part of the DFA? To what extent do the so-called “Basel II” and “Basel III” capital and financial standards apply to banks in the U.S. and what are alternative perspectives on whether these standards should be adopted for U.S. banks? What are alternative perspectives on whether the DFA changes adequately address systemic risk problems? No in-person class session. Class will be conducted by conference call from 6:30-8 pm. Call-in #: 800-853-0223 Code: 109681</td>
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**Instructions will be discussed in class for the Policy Memo (these instructions will also be posted on Blackboard)**


**Additional Optional Readings:**

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<th>Topic</th>
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<tr>
<td>Feb. 15</td>
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<td>No class –President’s Day</td>
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<td>Feb. 22</td>
<td>Class 5</td>
<td>Bank Safety and Soundness and Systemic Risk #2: What additional policies have been suggested to address systemic risk, including breaking up large institutions or re-instituting the Glass-Steagall rules that prevent banks from offering investment products? What policy issues are posed by the Volker Rule and so-called “resolution authority”?</td>
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http://www.washingtonpost.com/lets-shatter-the-myth-on-glass-steagall/2012/07/27/gJQASaOAGX_story.html

http://www.federalreserve.gov/newsevents/speech/tarullo20131018a.htm

3) Gruenberg, M. Remarks by FDIC Chairman to the Volker Alliance on Resolution Authority. October 13, 2013.  


https://www.youtube.com/watch?v=7rotp9z8N2o


Additional Optional Readings:

1) Kirkland and Ellis paper criticizing DFA resolution authority.


   https://www.youtube.com/watch?v=5jhCAhfLgOl

4) Senate Banking Committee hearing 2013 on too big to fail.
   https://www.youtube.com/watch?v=9dLALjbp9dM

Instructions and team assignments will be distributed for Final Group Presentations (instructions will also be posted on Blackboard)

Feb. 29 Class 6
Consumer Financial Protection Policy Issues:
What are the key consumer protection requirements that apply to financial institutions, including the ability to repay and qualified mortgage provisions enacted in the DFA? To what extent has the

1) Acharya V. et al. Regulating Wall Street. Pages 73-84

2) Immergluck, D. Foreclosed. Pages ix-xxiii

3) Douglas, D. “CFPB Releases New Mortgage Rules in Bid to Reduce Risky
creation of the Consumer Financial Protection Bureau (CFPB) changed the way that consumer protection is applied to banks and other non-bank financial institutions? What are the policy arguments for and against the creation of the CFPB?


Additional Optional Readings:

1) CFPB Basic Guide for Lenders: What is a Qualified Mortgage?


http://www.paulweiss.com/media/1397716/14jan13cfpb.pdf

http://www.mortgagenewsdaily.com/10212014_qrm_rule_qm.asp

| Mar. 7  |
| Class 7 |
| Consumer Financial Protection Policy Issues #2: What is the history of mortgage market consumer protection regulation in the U.S. and what was the impact of these policies on the mortgage crisis of 2007-2008? In addition to the provisions enacted by the DFA, what policy proposals have been suggested to address remaining consumer protection problems? What role have investors played in single-family housing markets and what is the impact of these investments on communities? |
| Policy Memo due via e-mail by beginning of class; also bring one hard copy to class to turn in |
| 1) Immergluck, D. Foreclosed. Pages 167-224 |

**Additional Optional Readings:**


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<thead>
<tr>
<th>Mar. 14</th>
<th>No class – Spring Break</th>
<th>No assigned readings</th>
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<tr>
<td>Mar. 21 Class 8</td>
<td>Midterm Exam</td>
<td>If possible, Final Group Presentation teams should submit proposed presentation topic to instructor via e-mail</td>
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</table>


3) Bhutta, N. and Canner, G. “Did the CRA Cause the Mortgage Market Meltdown?” Community Dividend. March 1, 2009. [http://www.minneapolisisfed.org/research/pub_display.cfm?id=4136](http://www.minneapolisisfed.org/research/pub_display.cfm?id=4136)


**Additional Optional Readings:**

| Apr. 4  
Class 10 | Housing Finance Reform and the Government Sponsored Enterprises (GSEs): What is the history of the GSEs – Fannie Mae and Freddie Mac -- and what role did they play leading up to the financial and mortgage crisis of 2007 and 2008? What are alterative policy proposals related to the future of the GSEs and what is the potential impact of the Obama Administration’s proposed wind-down of the GSEs? |
|-------------------------------------------------|


http://www.federalreserve.gov/newsevents/speech/bernanke20081031a.htm

https://davidhstevensblog.wordpress.com/2015/08/21/why-i-support-reforming-the-gses-not-eliminating-them/
### Apr. 11

**Class 11**

**Financial Inclusion and Household Financial Stability:**
What are the key policy issues related to unbanked and under-banked households? What policies have been proposed to increase household assets and overall financial stability?

|---|
Additional Optional Readings:

   http://www.stlouisfed.org/publications/itb/articles/?id=2541

2) Yellen, J. “The Importance of Asset Building for Low and Middle Income Households.”
   http://www.federalreserve.gov/newsevents/speech/yellen20140918a.htm

3) Urban Institute Links:
   http://metrotrends.polldaddy.com/s/financial-quiz

Apr. 18
Class 12

Technology and Financial Innovation Policy Issues:
What are the policy issues raised by technology and financial innovation, including crowdfunding, pay-for-success models, and the use of alternative currency (e.g., Bitcoin)?

1) Badger, E. "The Real Estate Deal That Could Change the Future of Everything."


https://medium.com/money-banking/2b5ef79482cb

**Additional Optional Readings:**

1) Stid, D. “Pay for Success is not a Panacea.”; Federal Reserve Bank of San Francisco, Community Development Investment Review. Volume 9, Issue 1, 2013.  


http://www.washingtonpost.com/business/on-small-business/while-waiting-for-sec-regulations-crowdfunding-leaders-focus-on-investor-education/2013/02/27/f6a65ff2-80f6-11e2-8074-b26a871b165a_story.html

http://www.washingtonpost.com/blogs/wonkblog/wp/2013/04/03/heres-a-simple-60-second-primer-on-bitcoin/?tid=pm_business_pop
### April 25

**Class 13**

1. **Final Group Presentation**
2. **Team Meetings:** No in-class lecture; time available for teams to meet on final group presentation

### April 27

**Class 14 (Wed.)**

- **Designated Monday**
- **Possible Make-up class**

### May 2

**Class 14**

1. **Final Group Presentations**
2. **Completed Final Group Presentations** to be presented in class in addition to discussion of CRA policy issues

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### Policy Memo Grading Rubric:

- **Content – 80%**
  - Complexity, depth of the response, and demonstrated understanding of the subject
  - Clarity and accuracy when describing key concepts
  - Making conclusions and/or recommendations that are supported by the information in the memo and/or in other cited materials

- **Quality of Writing – 20%**
  - Following the page length and/or format requirements
  - Grammar and punctuation, spelling, and sentence structure
  - Organization and coherence of ideas
  - Supporting the case analysis with references that add value to the analysis and support the conclusions/recommendations

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### TSPPPA Class Policies:

1. **Incompletes:** A student must consult with the instructor to obtain a grade of I (incomplete) no later than the last day of classes in a semester. At that time, the student and instructor will both sign the CCAS contract for incompletes and submit a copy to the School Director. Please consult the TSPPPA Student Handbook or visit [http://www.gwu.edu/~ccas/faculty/files/Incomplete_poli0.pdf](http://www.gwu.edu/~ccas/faculty/files/Incomplete_poli0.pdf) for the complete CCAS policy on incompletes.

2. **Submission of Written Work Products Outside of the Classroom:** It is the responsibility of the student to ensure that an instructor receives each written assignment. Students can submit written work electronically only with the express permission of the instructor.

3. **Submission of Written Work Products after Due Date: Policy on Late Work:** All work must be turned in by the assigned due date in order to receive full credit for that assignment, unless an exception is expressly made by the instructor.
4. **Academic Honesty**: All examinations, papers, and other graded work products and assignments are to be completed in conformance with the George Washington University Code of Academic Integrity. (see [http://www.gwu.edu/~ntegrity/code.html](http://www.gwu.edu/~ntegrity/code.html))

Note especially the definition of plagiarism: “intentionally representing the words, ideas, or sequence of ideas of another as one’s own in any academic exercise; failure to attribute any of the following: quotations, paraphrases, or borrowed information.”

5. **Changing Grades After Completion of Course**: No changes can be made in grades after the conclusion of the semester, other than in cases of clerical error.

6. **The Syllabus**: This syllabus is a guide to the course for the student. Sound educational practice requires flexibility and the instructor may therefore, at her/his discretion, revise content and requirements during the semester.

7. **Accommodation for Students with Disabilities**: In order to receive accommodations on the basis of disability, a student must give notice and provide proper documentation to the Office of Disability Support Services, Marvin Center 436, 202-994-8250. Accommodations will be made based upon the recommendations of the DSS Office.

8. **University Counseling Center**: The University Counseling Center (UCC), 202-994-5300, offers 24/7 assistance and referral to address students' personal, social, career, and study skills problems. Services for students include:
   - crisis and emergency mental health consultations
   - confidential assessment, counseling services (individual and small group), and referrals
   [http://counselingcenter.gwu.edu/](http://counselingcenter.gwu.edu/)

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