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

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, foreclosure practices, and payday lending?

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 Bureau; 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. 23   | **Introduction and overview:** Review of course organization and assignments. 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? | 1) Acharya V. et al. Regulating Wall Street (course textbook). Pages 1-32.  

### Additional Optional Readings:


2) Republican Presidential Debate clips on Dodd-Frank and too-big-to-fail. Nov. 14, 2015. [https://www.youtube.com/watch?v=S_ZVxUjeHlg](https://www.youtube.com/watch?v=S_ZVxUjeHlg)  
[https://www.youtube.com/watch?v=gFZiSmxxfhQ](https://www.youtube.com/watch?v=gFZiSmxxfhQ)
| Jan. 30  
| Class 2 | **History and Role of the Federal Reserve:** 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? |
| 3) Bernie Sanders Video on Breaking up Big Banks. April 7, 2016.  
|  
| https://www.youtube.com/watch?v=6RyQ4bfef11  |
| 2) Bernanke GW Lectures #1 and #2 (including both video and PowerPoint). March, 2012.  
| http://www.economist.com/node/13527329  |
| 4) Fessenden, H. and Richardson, G.  

**Additional Optional Readings:**

http://www.federalreserve.gov/newsevents/speech/bernanke20131108a.htm#fn1

<table>
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<th>Feb. 6 Class 3</th>
<th><strong>Central Banking and the Financial Crisis:</strong> 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? What steps should the Fed take to unwind its accommodative monetary steps as the economy continues to improve?</th>
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|                | 4) Charles Evans speech on the Fed’s dual mandate.  
  http://www.federalreserve.gov/newsevents/speech/yellen20120606a.htm |
  http://www.federalreserve.gov/newsevents/speech/fischer20151104a.htm |
  greg-ip-the-false-promise-of-a-rules-based-fed/ |

**Additional Optional Readings:**
| Instructions will be discussed in class for the Policy Memo (these instructions will also be posted on Blackboard) |
|---|---|
| Feb. 13 | 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, |
http://www.federalreserve.gov/newsevents/speech/tarullo20111109a.htm  

2) Kashkari, N. “Lessons From the Crisis: Ending Too Big To Fail.” February 16, 2016.  
http://www.federalreserve.gov/newsevents/speech/powell20130627a.htm  

http://www.richmondfed.org/press_room/speeches/president_jeff_lacker/2012/lacker_speech_20121115.cfm  


https://www.washingtonpost.com/opinions/the-old-fed-is-dead/2016/09/18/9203b9b2-7c35-11e6-bd86-b7b6d53d2b5d_story.html?utm_term=.add18ff951d1 |
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?


http://www.federalreserve.gov/newsevents/speech/brainard20150709a.htm

https://www.newyorkfed.org/newsevents/speeches/2013/dud131107.html

http://www.reuters.com/article/2015/11/30/us-usa-fed-lending-idUSKBN0TJ0AW20151130

Additional Optional Readings:

http://www.federalreserve.gov/newsevents/speech/yellen20140702a.htm

https://volckeralliance.org/resources/reshaping-financial-regulatory-system


http://www.americanbanker.com/bankthink/how-basel-iii-capital-requirements-hurt-
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<tr>
<td>Feb. 20</td>
<td>No class –President’s Day</td>
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<tr>
<td>Feb. 27</td>
<td>Class 5</td>
<td><strong>Bank Safety and Soundness and Systemic Risk #2:</strong> 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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</table>


5) Johnson, S. “Too Big To Fail Not Fixed, Despite Dodd-Frank.” October 9, 2011.  

Press release:  

Fact sheet:  

Additional Optional Readings:

1) Kirkland and Ellis paper criticizing DFA resolution authority.  


https://www.youtube.com/watch?v=5jhCAhfLg0I

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)

| Mar. 6  |
| Class 6 |
| Consumer Financial Protection Policy Issues: What are the key consumer protection requirements that apply to financial institutions, including the ability to repay |
| 1) Acharya V. et al. Regulating Wall Street. Pages 73-84 |
| 2) Immergluck, D. Foreclosed. Pages 167-224 |
and qualified mortgage provisions enacted in the DFA? To what extent has the 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:


3) Paul Weiss Client Memo. “Consumer Financial Protection Bureau Issues Ability-
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<td>Mar. 13</td>
<td>No class – Spring Break</td>
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<td>Mar. 20</td>
<td>Class 7</td>
<td>Consumer Financial Protection Policy Issues #2:</td>
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<td>What are consumer financial protection issues associated with small</td>
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<td>dollar consumer loans (including payday loans)? What role do banks</td>
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<td>and non-banks play in this policy area and what are the challenges</td>
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<td>of regulating these loan products? What are the key provisions of</td>
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<td>the CFPB’s proposed rule to regulate payday loans?</td>
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<tr>
<td></td>
<td></td>
<td>1) Consumer Financial Protection Bureau</td>
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<td><a href="http://files.consumerfinance.gov/f/documents">http://files.consumerfinance.gov/f/documents</a></td>
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<td>/CFPB_Proposes_Rule_End_Payday_Debt_Traps.pdf</td>
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<td>2) Bourke, N. “The CFPB’s Proposed Payday Loan Regulations Would Leave</td>
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<td>the-cfpbs-proposed-payday-loan-regulations-would-leave-consumers-vulnerable</td>
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<td>3) Standaert, D. and Coleman, B. “Ending the Cycle of Evasion:</td>
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<td>Effective State and Federal Payday Lending Enforcement.” November</td>
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<td><a href="http://www.responsiblelending.org/payday-lending/research-analysis/">http://www.responsiblelending.org/payday-lending/research-analysis/</a></td>
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<td>crl_payday_enforcement_brief_nov2015.pdf</td>
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<td>4) Atlantic Monthly. “Payday Lending: Will Anything Replace It?” May</td>
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<td>2016.</td>
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<td><a href="http://www.theatlantic.com/magazine/archive/2016/05/payday-lending/476403/">http://www.theatlantic.com/magazine/archive/2016/05/payday-lending/476403/</a></td>
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<td><strong>Additional Optional Readings:</strong></td>
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<td>1) Harlan, C. “Federal Consumer Watchdog Takes Aim at Payday Lenders</td>
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<td>Mar. 27</td>
<td>Midterm Exam</td>
<td>No assigned readings</td>
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<td>If possible, Final Group Presentation teams should submit proposed presentation topic to instructor via e-mail</td>
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<td>Apr. 3</td>
<td>CRA: What are the key policy issues related to the Community Reinvestment Act? What CRA modernization proposals have been suggested and what are the merits of the various proposals?</td>
<td>1) Schwartz, A. Housing Policy in the United States (course text), pp. 362-367 (“Community Reinvestment Act”)</td>
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<td><a href="http://www.federalreserve.gov/newsevents/testimony/braunstein20080213a.htm">http://www.federalreserve.gov/newsevents/testimony/braunstein20080213a.htm</a></td>
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Policy Memo due via e-mail by beginning of class; also bring one hard copy to class to turn in
### Additional Optional Readings:

1. **Levitin, A. and Ratcliffe, J.** “Rethinking Duties to Serve in Housing Finance.”
   October 2013.

2. **Ludwig, E., Kamihachi, J., and Toh, L.**
   February 2009.


   [https://www.youtube.com/watch?v=rdOpsTLvbeY](https://www.youtube.com/watch?v=rdOpsTLvbeY)

### Assigment

**Apr. 10 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 alternative policy proposals related to the future of the GSEs and what is the potential impact of the Obama Administration’s

1. **Schwartz, A.** Housing Policy in the United States (course text), pp. 69-112 (“Housing Finance”).

proposed wind-down of the GSEs?


Additional Optional Readings:


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

2) Yellen, J. “The Importance of Asset Building for Low and Middle Income Households.”

3) Urban Institute Links:
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)?


4) De Filippi, P. “We Must Regulate Bitcoin. Problem Is, We Don’t Understand It.” Wired. March 1, 2016. [https://www.wired.com/2016/03/must-understand-bitcoin-regulate/](https://www.wired.com/2016/03/must-understand-bitcoin-regulate/)

Additional Optional Readings:


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<tr>
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<th>Topic</th>
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<tr>
<td>May 1</td>
<td>Final Group Presentation</td>
<td>Team Meetings: No in-class lecture; time available for teams to meet on final group presentation</td>
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<td>No assigned readings</td>
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<td>May 3</td>
<td>Designated Monday</td>
<td>Possible Make-up class</td>
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<td>Class 14 (Wed.)</td>
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<td>May 8</td>
<td>Final Group Presentations</td>
<td>Completed Final Group Presentations to be presented in class</td>
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<td>Class 14</td>
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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

University Policies:

University Policy on Religious Holidays
1. Students should notify faculty during the first week of the semester of their intention to be absent from class on their day(s) of religious observance.
2. Faculty should extend to these students the courtesy of absence without penalty on such occasions, including permission to make up examinations.
3. Faculty who intend to observe a religious holiday should arrange at the beginning of the semester to reschedule missed classes or to make other provisions for their course-related activities.

Support for Students Outside the Classroom
1. Disability Support Services (DSS): Any student who may need an accommodation based on the potential impact of a disability should contact the Disability Support Services office at 202-994-8250 in the Rome Hall, Suite 102, to establish eligibility and to coordinate reasonable accommodations. For additional information please refer to: http://disabilitysupport.gwu.edu/

2. Mental Health Services 202-994-5300: The University's Mental Health Services 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. counselingcenter.gwu.edu/

Academic Integrity Code
Academic dishonesty is defined as cheating of any kind, including misrepresenting one's own work, taking credit for the work of others without crediting them and without
appropriate authorization, and the fabrication of information. For the remainder of the code, see: studentconduct.gwu.edu/code-academic-integrity