

The George Washington University
Trachtenberg School of Public Policy and Public Administration
PPPA 6061.10
Banking and Financial Institutions Policy
Spring 2023 Syllabus
As of December 5, 2022

Time: 6:10 p.m. – 8:00 p.m., Mondays
Location: Monroe Hall Room 351

Professor: Joseph Firschein
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202-329-5090 (work cell)
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 financial stability, consumer protection, monetary policy, financial technology (“fintech”), and digital currency/cryptocurrency. This policy area includes questions that are at the forefront of the current national policy debate about how to regulate banks and other financial institutions particularly during a financial crisis. Key questions include the following:

- What policy changes have been implemented by Congress and bank regulators to address financial risk in the banking sector and have these changes helped prevent banks from being “too big to fail”?
- What consumer protection policies were put in place after the 2007-2008 financial crisis related to mortgage lending and payday lending, including creation of the Consumer Financial Protection Bureau (CFPB)? What are the top current policy issues related to consumer financial protection?
- What are the responsibilities of the Federal Reserve related to monetary policy? How has the Fed used these tools under different economic conditions in recent years, including the current inflation challenge?
- How has technology and innovation changed the banking and financial services sector and what are the implications of these changes for public policy? For example, how should “fintech” companies be regulated? Should the Fed create a central bank digital currency and/or a real-time payment system?

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; at executive agencies; 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 policy experience is required. The course is taught by Joseph Firschein, a senior officer at the Federal Reserve Board of Governors who leads the Fed's policy work on regulations related to bank lending in low-income communities. The course counts towards the following concentrations: urban policy, regulatory policy, social policy, and public/private partnerships.

Course Prerequisites: None

Required Texts:

- 1) Acharya, V. et al. *Regulating Wall Street: The Dodd-Frank Act and the New Architecture of Global Finance* (Wiley Finance). 2011. ISBN-13: 978-0470768778. The text can be obtained via [Amazon](#) and is also available via the campus bookstore.
- 2) Mills, K. *Fintech, Small Business, and the American Dream: How Technology is Transforming Lending and Shaping a New Era of Small Business Opportunity.* 2018. ISBN-13: 978-3030036195. The text can be obtained via [Amazon](#) and other online stores.

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 "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. Understand the history of consumer protection regulation in the financial services sector, including consumer issues related to the regulation of high-risk mortgage lending and payday lending; and
6. 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.

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. 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 short answer essay format. Additional information on the content and format of the exam, including a detailed study guide, will be posted on Blackboard.
- 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.

Use of Zoom for Accessing Class Sessions:

In addition to the in-person classes, we may also use Zoom for certain classes and/or guest speakers. If we confirm that a class will take place via Zoom, we will use a Zoom link that will be provided.

Background on Instructor:

Joseph Firschein is Associate Director and Community Affairs Officer at the Federal Reserve Board’s Division of Consumer and Community Affairs. He leads the Board’s Community Reinvestment Act (CRA) policy team that is responsible for developing and implementing CRA regulations to support bank lending, investment, and services in low- and moderate-income communities. He also oversees the Board’s community

development team that works with a range of stakeholders to promote the economic mobility of low-income and underserved individuals and communities.

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 and policy 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 Master of 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)*

Date	Topic	Reading Assignment Homework
Jan. 16	<u>No class –Martin Luther King Day</u>	
Jan. 23 Class 1	<p><u>Introduction and overview:</u> Review of course organization and assignments. What is the history of major U.S. financial regulation and deregulation prior to the enactment of the Dodd-Frank Act (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? To what extent are there still problems with the U.S. approach towards regulating the financial system?</p>	<p>1) Murphy, E. “Who Regulates Whom and How? An Overview of U.S. Financial Regulatory Policy for Banking and Securities Markets”. Pages 1-14. Congressional Research Service. January 30, 2015.</p> <p>2) Acharya V. et al. <i>Regulating Wall Street</i> (course textbook). Pages 1-32.</p> <p>3) Volker Alliance Report. “Reshaping the Financial Regulatory System.” Pages 1-43. April 20, 2015.</p> <p>3) Krugman, P. “Obama’s Other Success: Dodd-Frank Financial Reform is Working.” New York Times. August 3, 2014. Also available on Blackboard as a PDF file under Readings Not on Web.</p> <p><i>Additional Optional Readings:</i></p> <p>1) Baily, M. “Strengthening and Streamlining Prudential Bank Supervision.” Brookings Institution. August 6, 2009.</p> <p>2) President Trump video signing bill to cut Bank Regulations. May 24, 2018. (Clip starts at 8:20)</p> <p>3) Republican Presidential Debate clips on Dodd-Frank</p>

		<p>and too-big-to-fail. Nov. 14, 2015.</p> <p>4) Bernie Sanders Video on Breaking up Big Banks. April 7, 2016.</p>
Jan. 30 Class 2	<p><u>History and Role of the Federal Reserve</u>: 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? To what extent is the Federal Reserve independent and is this appropriate?</p>	<p>1) Acharya V. et al. Regulating Wall Street. Pages 51-71.</p> <p>2) Bernanke GW Lecture #1 PowerPoint. March, 2012.</p> <p>3) Fischer, S. “Central Bank Independence.” November 4, 2015.</p> <p>4) Clarida, R. “Federal Reserve Independence: Foundations and Responsibilities.” November 30, 2021.</p> <p><i>Additional Optional Readings:</i></p> <p>1) Bernanke, B. “The Crisis as a Classic Financial Panic.” November 8, 2013.</p> <p>2) The Federal Reserve System: Purposes and Functions. 10th Edition.</p> <p>3) Charles Evans speech on the Fed’s dual mandate. September 7, 2011.</p> <p>4) Duke, E. “Come with Me to the FOMC.” October 19, 2010.</p> <p>5) Fessenden, H. and Richardson, G. “Whom Do the Federal Reserve Bank Boards Serve?” Federal Reserve Bank of Richmond. August 2016.</p>

<p>Feb. 6 Class 3</p>	<p><u>Central Banking and the Financial Crisis:</u> What monetary policy tools did the Federal Reserve utilize during the mortgage and financial crisis of 2007-2008 as well as the financial crisis related to COVID-19? What are the policy arguments for and against these tools and what are alternative perspectives on whether additional/alternative tools should be used?</p>	<p>1) Yellen, Janet. "Perspectives on Monetary Policy." June 6, 2012 Speech.</p> <p>2) Brainard, L. "The New Normal and What it Means for Monetary Policy." September 12, 2016.</p> <p>3) Ip, G. "The False Promise of a Rules-Based Fed." Wall Street Journal Blog. November 25, 2015. For PDF version, see Blackboard site under Readings Not on Web.</p> <p>4) Smialek, J. "The Fed's \$4 Trillion Lifeline Never Materialized. Here's Why." New York Times. October 21, 2020. For PDF version, see Blackboard site under Readings Not on Web.</p> <p>5) Bernanke, B. "The Federal Reserve: Looking Back, Looking Forward." January 3, 2014.</p> <p><i>Additional Optional Readings:</i></p> <p>1) Powell, J. "Thoughts on Unconventional Monetary Policy." June 27, 2013.</p> <p>2) Michel, N. "Why Congress Should Institute Rules-Based Monetary Policy." Heritage Foundation. February 11, 2015.</p> <p>3) Taylor, J. "Requirements for Policy Rules for the Fed." Testimony Before the Committee on Financial</p>
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		<p>Services, U.S. House of Representatives. July 10, 2014.</p> <p>4) Warren, E. Letter to Fed Nominee Dr. Judy Shelton. January 30, 2020.</p> <p>5) Ip, G. "What Republicans Get Wrong About the Gold Standard." Wall Street Journal. Nov. 12, 2015. For PDF version, see Blackboard site under Readings Not on Web.</p>
Feb. 13 Class 4	<p><u>Bank Safety and Soundness and Systemic Risk</u>: 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 2008 financial crisis to address systemic risk, including changes enacted as part of the DFA? What are alternative perspectives on whether the DFA changes adequately address systemic risk problems?</p>	<p>1) Yellen, J. "Supervision and Regulation." September 28, 2016.</p> <p>2) Kashkari, N. "Lessons From the Crisis: Ending Too Big To Fail." February 16, 2016.</p> <p>3) Brainard, L. "Dodd-Frank at Five: Assessing Progress on Too Big to Fail." July 9, 2015.</p> <p>4) Quarles, R. "Between the Hither and the Farther Shore: Thoughts on Unfinished Business." December 2, 2021.</p> <p><i>Additional Optional Readings:</i></p> <p>1) Pearlstein, S. "Let's Shatter the Myth on Glass-Steagall." Washington Post. July 28, 2012. For PDF version, see Blackboard site under Readings Not on Web.</p> <p>2) Quarles, R. "Spontaneity and Order: Transparency, Accountability, and Fairness in Bank Supervision." January 17, 2020.</p>

		<p>3) Yellen, J. "Financial Stability a Decade After the Onset of the Crisis." August 25, 2017.</p> <p>4) Tarullo, D. "The Evolution of Capital Regulation." November 9, 2011. http://www.federalreserve.gov/newsevents/speech/tarullo20111109a.htm</p> <p>5) Dudley, B. "Ending Too Big to Fail." November 7, 2013.</p> <p>6) Federal Reserve Bank of Dallas. Choosing the Road to Prosperity: Why We Must End Too Big To Fail Now. 2011 Annual Report.</p> <p>7) Schneider, H. "New Fed Rule Limits Its Crisis Bailout Powers." Reuters. November 30, 2015.</p> <p>8) Tarullo, D. "Financial Regulation Since the Crisis." December 2, 2016.</p>
Feb. 20	<u>No Class -President's Day</u>	
Feb. 27 Class 5	<p><u>Consumer Financial Protection Policy Issues:</u> 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 creation of the Consumer Financial Protection Bureau (CFPB) changed the way that consumer protection is applied to banks and other non-bank financial</p>	<p>1) Acharya V. et al. Regulating Wall Street. Pages 73-84</p> <p>2) Raskin, S. "Legal Opportunities and Challenges in Crafting a Foreclosure Response." Speech at the Maryland State Bar Association, Columbia, Maryland. October 4, 2011.</p> <p>3) Consumer Financial Protection Bureau Fact Sheet and Press Release on Ability to</p>

	<p>institutions? What are the policy arguments for and against the creation of the CFPB?</p>	<p>Repay and Qualified Mortgage Rule. January 10, 2013.</p> <p>4) Cowley, S. "New Proposal Would Ban Most Foreclosures Until 2022." New York Times. April 5, 2021. Also available on Blackboard as a PDF file under Readings Not on Web.</p> <p><i>Additional Optional Readings:</i></p> <p>1) CFPB Basic Guide for Lenders: What is a Qualified Mortgage?</p> <p>2) The Financial Crisis Inquiry Report, Authorized Edition. Chapter on Subprime Lending. Pages 67-80</p> <p>3) Paul Weiss Client Memo. "Consumer Financial Protection Bureau Issues Ability-to-Repay and Qualified Mortgage Standards Implementing Dodd-Frank." January 14, 2013.</p>
<p>Mar. 6 Class 6</p>	<p><u>Consumer Financial Protection Policy Issues #2:</u> What are consumer financial protection issues associated with small dollar consumer loans (including payday loans and bank use of overdraft fees)? What role do banks and non-banks play in this policy area and what are the challenges of regulating these loan products?</p>	<p>1) Atlantic Monthly. "Payday Lending: Will Anything Replace It?" May 2016.</p> <p>2) Cowley, S. "Consumer Bureau Scraps Restrictions on Payday Loans." New York Times. July 7, 2020. For PDF version, see Blackboard site under Readings Not on Web.</p> <p>3) Weese, K. "Why It Costs So Much To Be Poor In America." Washington Post. January 25, 2018. For PDF version, see Blackboard site under Readings Not on Web.</p>

		<p>4) Bernard, T. “Banks Slowly Offer Alternatives to Overdraft Fees, a Bane of Struggling Spenders.” New York Times. June 22, 2021. For PDF version, see Blackboard site under Readings Not on Web.</p> <p>5) Standaert, D. and Coleman, B. “Ending the Cycle of Evasion: Effective State and Federal Payday Lending Enforcement.” November 2015.</p> <p><i>Additional Optional Readings:</i></p> <p>1) CFPB Press Release on Payday Lending Rules. February 6, 2019.</p> <p>2) CFPB White Paper on Payday Loans and Deposit Advance Products. April 24, 2013.</p> <p>3) Edmiston, K. “Could Restrictions on Payday Lending Hurt Consumers?” Economic Review. 2011.</p> <p>4) Bourke, N. Pew Comments on CFPB 2019 Payday Lending Proposal. Executive Summary, pages 1-2 and 10-15. May 15, 2019.</p> <p>Team assignments for Final Group Presentations will be posted on Blackboard</p> <p>Instructions will be discussed in class for the Policy Memo (these instructions are posted on Blackboard)</p>
Mar. 13	<u>No class – Spring Break</u>	

Mar. 20	<u>Midterm Exam</u>	No assigned readings
Mar. 27 Class 8	Guest speaker: TBD	No assigned readings
Apr. 3 Class 9	<u>Team meetings</u> : Team meetings for Final Group Presentation teams. No in-class lecture.	No assigned readings Final Group Presentation teams should submit proposed presentation topic to instructor via e-mail
Apr. 10 Class 10	<u>Fintech Issues</u> : What are the implications for public policy of the proliferation of technology companies seeking to provide lending and financial services (often referred to as fintech)? What challenges and opportunities do these firms pose for a range of stakeholders, including banks, regulators, and consumers? What policy issues are raised by banks partnering with fintech firms?	<p>1) Mills course text. Chapter 5: What Small Businesses Want.</p> <p>2) Mills course text. Chapter 7: The Early Days of Fintech Lending.</p> <p>3) Mills course text. Chapter 10: Regulatory Obstacles: Confusion, Omission, and Overlap.</p> <p>4) Mills course text. Chapter 11: The Regulatory System of the Future.</p> <p><i>Additional Optional Readings:</i></p> <p>1) Brainard, L. "The Opportunities and Challenges of Fintech." Dec. 2, 2016.</p> <p>2) Evans, C. "Keeping Fintech Fair: Thinking about Fair Lending and UDAP Risks," <i>Consumer Compliance Outlook</i> (Second Issue 2017).</p> <p>3) "McCarthy, B. "Regulation Could Be Blessing in Disguise for Online Lenders." <i>American Banker</i>. August 4, 2015. Also available in Blackboard as Readings Not on Web.</p>

		<p>4) New York Times Editorial: “Facebook Faces a Reckoning for Redlining”. March 29, 2019. Also available in Blackboard as Readings Not on Web.</p> <p>5) “Supporting Responsible Innovation in the Federal Banking System: An OCC Perspective.” March 2016.</p> <p>6) Center for Responsible Lending Press Release Opposing OCC Fintech Lending Charter. December 2, 2016.</p> <p>7) GAO Report. “Financial Technology: Agencies Should Provide Clarification of Lenders’ Use of Alternative Data.” December 2018. Pages 1-46.</p> <p>Policy memo due via Blackboard by 6:10 pm</p>
<p>Apr. 17 Class 11</p>	<p><u>Central Bank Digital Currency (CBDC) and Real Time Payment Systems:</u> What are the key policy issues related to central bank digital currency and creation of a central bank real time payment system (FedNow).</p>	<p>1) Federal Reserve Board of Governors. “Money and Payments: The U.S. Dollar in the Age of Digital Transformation.” January 2022.</p> <p>2) Smialek, J. “Fed Opens Debate Over a Central Bank Digital Currency With a Long-Awaited Report.” New York Times. January 20, 2022. For PDF version, see Blackboard site under Readings Not on Web.</p> <p>3) Smialek, J. “The Fed Moves Closer To a New Way To Get People Their Money Faster.”</p>

		<p>New York Times. August 6, 2020. For PDF version, see Blackboard site under Readings Not on Web.</p> <p><i>Additional Optional Readings:</i></p> <p>1) White House Report. “Technical Evaluation For a U.S. Central Bank Digital Currency System.” September 2022.</p>
Apr. 24 Class 12	<p><u>Financial Inclusion and Community Reinvestment:</u> What are the key policy issues related to unbanked and under-banked households? To what extent does the Community Reinvestment Act (CRA) address problems with financial inclusion? What are other policy approaches to increase financial inclusion?</p>	<p>1) Tescher, J. and Ehrbech, T. “The Vanishing American Dream: The Long Road to Financial Stability.” Financial Health Network Blog Post. December 21, 2018.</p> <p>2) Federal Reserve Bank of St. Louis. “The Bank On National Data Hub: Findings from 2020.”</p> <p>3) Braunstein, S. “The Community Reinvestment Act.” Testimony Before the Committee on Financial Services. February 13, 2008.</p> <p>4) Brainard, L. “Strengthening the Community Reinvestment Act to Meet the Challenges of Our Time.” September 21, 2020.</p> <p>5) Tescher, J. “Checks, Balances, and the Myth of Free.” Medium. Jan. 30, 2018.</p> <p><i>Additional Optional Readings:</i></p> <p>1) Yellen, J. “The Importance of Asset Building for Low and</p>

		Middle Income Households.” September 18, 2014. 2) Financial Health Network. “Seven Pain-Points in the Consumer Financial Data Ecosystem: Priorities for the CFPB’s Rulemaking Under Section 1033 of the Dodd-Frank Act.” August 2022.
May 1 Class 13	<u>Final Group Presentations</u>	Completed Final Group Presentations should be e-mailed to the professor by the start of class

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 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

Out of Class Learning

Average minimum amount of independent, out-of- class, learning expected per week: In a 15 week semester, including exam week, students are expected to spend a minimum of 100 minutes of out-of- class work for every 50 minutes of direct instruction, for a minimum total of 2.5 hours a week.