



# THE SUN

San Bernardino County's Newspaper 50¢

LOCAL A3

## Bountiful bags

Ralphs employees gather food donations

SPORTS C1

## BACK IN PLAY

Dodgers dive into second half of season in St. Louis

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# Landmark bill passes

## Law focuses on abuses, consumer safeguards

By Rebecca U. Cho Staff Writer

Congress approved a sweeping financial reform bill Thursday, seeking to address the causes of the 2008 financial meltdown, increase consumer protection and rein in financial abuses that left San Bernardino County wracked by housing market busts and excessive lending.

The 2,300-page bill outlines the strictest restrictions on banks and other financial companies since the Great Depression.

But the financial overhaul is expected to impact all levels of finance in the Inland Empire — from small businesses that may find greater restrictions on obtaining loans from banks, to consumers, who are expected to benefit from increased protection against abusive lending practices.

"The Inland Empire continues to be one of the areas hardest hit by the foreclosure crisis," said Rep. Joe Baca, D-San Bernardino. "This responsible reform package helps to ensure that an economic catastrophe of the current magnitude never again occurs in our local communities."

The Senate voted 60-39 to pass the final version of the financial reform legislation. A minimum of 60 votes was required for the bill to gain approval. In the Senate, three Republicans — Olympia Snowe and Susan Collins of Maine and Scott Brown of Massachusetts —

REFORM A4

INSIDE A4

### Reclaiming deposits

The massive financial reform bill that Congress passed has a provision that increases the cap on federal deposit insurance from \$100,000 to up to \$250,000 for IndyMac depositors and other banks, and will help some investors reclaim once-lost deposits.



Staff photo illustration

### BUBBLES

Those "derivatives" we've heard so much about will be limited by the law. Essentially, they are really complicated financial instruments that have for years been hidden from regulators. Not any more. Many trades on Wall Street will be subject to more transparent systems. That could have an effect of limiting speculation, and that could be good for consumers, who pay for items such as gasoline, sometimes based on speculative trading. Banks will continue trading derivatives related to interest rates, foreign exchanges, gold and silver. Those deals earn big profits for a handful of Wall Street titans. But riskier derivatives could not be traded by banks. Those deals would run through affiliated companies with segregated finances. The goal is to protect taxpayers, since bank deposits are guaranteed by the government.

### CONSUMER EFFECT

The Wall Street Reform and Consumer Protection Act is big. It's got over 2,000 pages in it.

It's the largest piece of financial reform in the nation since the Great Depression. It took a lot of wrangling, but in the end, it aims to stop practices ranging from making loans without requiring documentation to limits on executive compensation. Here's some ways it will affect your life:

### LOOKING OUT FOR CONSUMERS:

The law will create a Consumer Protection Agency at the Federal Reserve. It will oversee financial products and services such as mortgages, credit cards and short-term loans. One thing to remember, though: Auto dealers, pawnbrokers and others would be exempt from the bureau's tentacles. The auto dealer lobby fought hard for this, and won. An oversight council could block rules proposed by the consumer agency, but only if they determine the regulations would threaten the system. Currently, consumer protection is spread among various bank regulators.

### MORTGAGE LOANS:

Remember those subprime and no-documentation loans that got us into this mess? This law makes that much less likely. No more "liar" loans — the no-doc loans. Lenders must now document — fully! — incomes. And lenders must make sure buyers can repay. The other side of the coin is that it might make it tougher to get a loan. Not only will regulatory costs increase for lenders, that cost could get passed on to you. Mortgage brokers could no longer receive bonuses for pushing people into high-cost loans.

### FIDUCIARY DUTY:

Investment advisers have long been exempt from such a duty — that is, to act in the best interest of their clients. They still are, but under the bill, the Securities and Exchange Commission will study the issue. It could be changed, if needed.

### NO MORE 'TOO BIG TO FAIL':

Remember AIG, GM and the big Wall Street firms? That council of 10 regulators would monitor overall threats to the financial system. It would keep troubled companies on its radar screen, to make sure they aren't so big or interconnected that when they go under, they take all of us with them. Those companies would be subject to tougher regulation. If such a company teetered, the government could liquidate it. The costs of taking such a company down would be borne by industry peers. The council could overturn new rules proposed by the consumer protection agency. That's supposed to happen only to rules deemed a threat to the financial system.

Staff, wire reports

### DEBIT CARD FEES

You've heard of "swipe fees?" Merchants have to pay these for processing credit and debit cards. With reform, the government can cap the fees on debit cards but not on credit cards.

### FEDERAL RESERVE & BANKS

The Fed's relationships with banks would face more scrutiny from the Government Accountability Office, Congress' investigative arm. The GAO could audit emergency lending the Fed made after the 2008 financial crisis emerged. It also could audit the Fed's low-cost loans to banks, and the Fed's buying and selling of securities to implement interest-rate policy. The Fed also would have to set lower limits on the fees that banks charge merchants who accept debit cards. Small banks would be subject to current levels of regulation. Though at least one banker in the I.E. said at some point, "It all rolls downhill."

# BP's new cap finally halts oil spewing into gulf

The Associated Press

NEW ORLEANS — The oil leak has stopped — 85 days, 16 hours and 25 minutes after the first report April 20 of an explosion on the BP-leased Deepwater Horizon oil rig that killed 11 workers in the Gulf of Mexico.

Somewhere between 94 million and 184 million gallons spilled into the Gulf, according to government estimates Thursday.

Thursday's news elicited joy

mixed with skepticism from wary Gulf Coast residents following months of false starts, setbacks and failed attempts. Alabama Gov. Bob Riley's face lit up when he heard the oil flow had stopped.

"That's great. I think a lot of prayers were answered today," he said.

President Barack Obama called it a positive sign, but cautioned: "We're still in the



The Associated Press

testing phase."

Officials said the oil stopped flowing into the water at 2:25 p.m. CDT.

Read more on Page A12.

In this combination of images taken from video provided by BP, oil flows from two of three valves on the 75-ton cap atop the site of the oil spill in the Gulf of Mexico on Wednesday, left, and oil no longer flows from the cap, right, on Thursday.

### SAN BERNARDINO COUNTY

#### Dealing with the heat wave

San Bernardino County Public Health Officer Dr. Maxwell Ohikhuare issued an extreme heat advisory for San Bernardino County on Thursday. Residents are urged to take precautions that will prevent heat-related illness. He recommends following these steps: Get plenty to drink; stay cool indoors; wear light clothing and sunscreen; schedule outdoor activities carefully; pace yourself; and use a buddy system.

To find out about cooling centers near you, visit www.coolingsb.org. For more information about extreme heat, visit www.bepreparedcalifornia.ca.gov.



### LOCAL A3

#### Funds to expand jail

San Bernardino County is getting \$100 million from the state for the 1,368-bed expansion of its Adelanto jail to forestall the court-ordered early release of prisoners because of overcrowding.

"The expansion of the Adelanto jail is essential to make sure criminals are not released back on the streets as a result of overcrowding," said 1st District Supervisor Brad Mitzelfelt.

### ARIZONA A12

#### Law in court

Arizona's impending immigration law went before a federal judge in Phoenix for the first time Thursday, and attorneys for both sides sparred over who had the right to enforce immigration law: local officials or the federal government.

### BUSINESS D1

#### DOW ▼7.41

Thursday's closing 10,359.31

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