

# Business

STOCKS INSIDE

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## MARKET REPORT

DOW 12,578.95	▲ .78%	AMEX 2,289.44	▲ .65%
S&P 500 1,308.04	▲ 1.11%	NYSE 7,766.95	▲ 1.26%
NASDAQ 2,769.71	▲ 1.53%		



Brian Wahby (left), chairman of the St. Louis City Democratic Central Committee, signs petitions offered by Tony Pelinovsky, also of St. Louis, before an event at the Old Federal Courthouse in St. Louis, Mo. on Monday. Pelinovsky was part of a group of volunteers circulating two petitions, one calling for reform of payday lending practices in Missouri. SID HASTINGS/MCT

## Consumer bureau will probe payday lending

'Bad boys' of credit world topic of field hearing today

By Tony Pugh  
McClatchy Newspapers

WASHINGTON — When Richard Cordray convenes his first field hearing today in Birmingham, Ala., as the director of the new Consumer Financial Protection Bureau, the site, setting and subject matter couldn't be more appropriate.

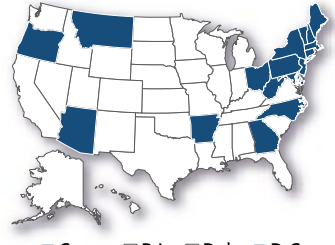
In the city that witnessed some of the bloodiest confrontations of the civil rights era, Cordray will hear testimony on the payday loan industry, which has acquired a reputation as one of the "bad boys" of the commercial credit world. Assailed by some for enticing low-income customers into a cycle of repeat borrowing at high interest rates, payday lenders have drawn the ire of state regulators nationwide. Their penchant for setting up shop in poor minority neighborhoods has made their business model a target for civil rights activists as well.

Industry supporters say payday lenders provide much-needed short-term credit to consumers who are largely underserved by banks and who can't borrow cash from friends and family.

When compared with alternatives such as bouncing checks or paying re-connection fees on utilities, they argue, short-term

### Payday loans

States prohibiting the high-interest loans that payday lenders charge their customers:



#### What are payday loans?

■ Short-term loans guaranteed by borrower's personal check held for future deposit or by electronic access to borrower's bank account

■ Loan size \$100-\$1,000, depending on state limits; average term is two weeks

■ Finance charge \$15-\$30 to borrow \$100, an annual interest rate of 390%-780%

NOTE: Alaska and Hawaii are not to scale  
SOURCE: Consumer Federation of America  
MCCLATCHY-TRIBUNE

payday loans — which often demand repayment within weeks — are a good deal, despite interest rates that can run upward of \$15 to \$20 for every \$100 borrowed.

Years of attacks by consumer advocates, unfavorable court decisions, tighter state regulations and the recession have taken a toll on the industry. After reaching a high of more than 24,000 in 2006, the number of payday loan stores fell to 19,600

in 2010, according to reports by industry analysts.

Seventeen states and the District of Columbia have outlawed high-interest payday loans, which allow cash-strapped workers to borrow against their next paychecks.

Used mainly by people who don't have credit cards, payday loans are small, short-term loans, usually for a few hundred dollars, that are guaranteed by borrowers' coming paychecks.

A customer who seeks a \$500 payday loan would get the money only after writing a check for that amount plus finance charges, which the lender would hold — typically for about two weeks — until the borrower's paycheck comes through.

The lender then cashes the check to pay off the loan and interest. If the borrower's paycheck isn't enough to pay back the loan and the fees when due, the lender usually extends the loan or "rolls it over" by simply having the borrower pay the interest charges.

But doing so means the fees keep accumulating, making the final payoff even more expensive.

"You end up getting on a debt treadmill," Stetson said. "It's sort of like quicksand. You get pulled in and you can't get out."

## CVEP board planning for challenges

Despite loss of RDA funds, cutbacks, agency pushes ahead with Blueprint

By Debra Gruszecki  
The Desert Sun

PALM SPRINGS — The Coachella Valley Economic Partnership's board of directors on Wednesday welcomed two new executives to round out the "one-stop-shop" offerings for green-business incubators, businesses and budding entrepreneurs at Rabobank Regional Business Center.

They are:

■ Coachella Valley iHub chief executive Joe Wallace, an Indiana entrepreneur and venture capitalist who came on the scene on Jan. 9 to attract and grow green businesses here.

■ The Coachella Valley Small Business Development Center's managing director, Ezekiel Bonillas, who will work with College of the Desert to offer small businesses and entrepreneurs counseling, training and access to the investment capital. It's funded in part with money from the Small Business Administration.

Yet, even as their arrival represents another milestone for CVEP's Blueprint plan to educate youth, train the workforce and diversify the valley economy, CVEP president and CEO Tom Flavin said significant fiscal challenges lie ahead.

That's because the state has set a Feb. 1 deadline to abolish all redevelopment agencies.

With \$350,000 of CVEP's funding coming from local RDAs — that's 25 percent of the CVEP budget — Flavin said extreme actions have been taken.

Those actions include:

■ A \$100,000 reduction in expenses and adjustments to the fiscal year budget that ends June 30.

■ Elimination of one full-time position.

■ Salary freeze and reduced contributions to employee medical insurance premiums.

■ Reduced marketing.

■ Postponed opening of a full-time, east valley satellite office.

Flavin said an action plan is already being formulated to offset the potential loss of the RDA dollars using multiple revenue scenarios, should cities opt to lower their levels of support.

Many valley cities currently support CVEP with redevelopment money.

Curt Watts, who chairs the CVEP committee on economic development, said outside the meeting that there's so much uncertainty over the impact that a loss of redevelopment funds will have for cities that CVEP is smart to prepare for a worst-case funding scenario.

It's possible some cities will lower their funding level, or tap other sources — including their general fund — because of the impact CVEP has on economic development, Watts said. "It's just too early to say what will happen."

"We can take two approaches," Flavin told the board. "Either the sky is falling, or there's an opportunity for us to find ways to sustain this momentum and grow."

CVEP and the iHub will continue to build on their successes with the new arrivals, Flavin said:

■ Wallace, with a focus on clean-tech, innovative companies.

■ Bonillas and several counselors who will offer services to start-up and existing businesses.

Even as the reductions were made, Flavin said private investors continue to step forward.

Two new investors, who chipped in \$50,000, were introduced Wednesday, as well: Joseph Mishriki, regional president of the San Diego Group of Wells Fargo Bank, and Chris Brooks, project manager of The Penta Building Group Inc.

## China may benefit from U.S. passing up on Canada's oil pipeline proposal

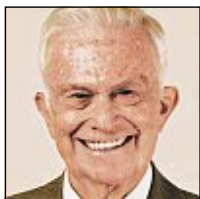
The Obama administration's final rejection of the immediate construction start of the Trans-Canadian XL oil pipeline from Alberta's Athabasca oil sands region will precipitate Canada's production shift toward China.

Although the long-term availability of this two-year construction capability would not be ready immediately, Canada's Prime Minister Steven Harper was ready to commit total oil sands conversion production to the U.S. with an indefinite long-term commitment.

The combination of Canadian oil imports — expected to reach close to 5 million barrels per day by 2020 — and the current revolutionary hydraulic "fracking" breakthrough would up America's current production potential of near 6 million to 8 million barrels per day by the end of 2012.

With the current U.S. demand of 19.5 million barrels per day (down from the pre-recession 22 million barrels), the U.S.-Canadian combination would make supplemental needs relatively minimal.

Already, crude oil imports from Saudi Arabia (1.5 million to 2 million barrels per day) and Venezuela (1 million to 1.5 mil-



**Morris R. Beschloss**  
GLOBAL ECONOMICS

lion barrels per day) are beginning to shrink due to the successful fracking procedures that are already producing in excess of one million barrels per day from newly developed regions such as the Pennsylvania/New York Marcellus Range and the North Dakota Bakken Belt.

However, if Canada now initiates an alternative pipeline from Alberta's Ft. McMurray to the Vancouver, British Columbia port, the 250 billion barrels of estimated Canadian reserves would be irrevocably lost to the U.S.

My sources indicate that Prime Minister Harper is prepared to make an immediate trip to Beijing to seal a long-term commit-

### BESCHLOSS 24/7

Keep up with what Morris Beschloss has to say about current happenings in the finance world by reading his blog at [mydesert.com](http://mydesert.com)

ment between Canada and China.

Ironically, Canada's reserves are almost identical to that claimed by Saudi Arabia. The loss of this availability to the U.S. from America's major import-export partner would continue to leave the U.S. exposed to the Saudis, Venezuela and the increasing Mideast tensions that make such steady supplies increasingly tentative.

It would also mean higher prices for oil derivatives such as gasoline, heating oil, jet fuel, diesel and by-products such as plastics and chemicals.

This imminent turn of events also would strengthen China immeasurably in their ongoing global takeover of available energy sourcing.

Whether public reaction to the administration's controversial decision will arouse adverse public reaction remains to be seen.

Morris R. Beschloss writes a regular blog on [mydesert.com](http://mydesert.com). He can be heard on KPSI Radio 920 AM from 8 to 9 a.m. every Friday. He can also be seen on KESQ Channel 3, and on Time Warner Cable TV Channel 111.



U.S. Attorney Preet Bharara speaks during a news conference Wednesday in New York. A hedge fund co-founder, four financial analysts and a Dell Inc. employee teamed up in a record-setting insider trading scheme that netted more than 1.8 million in illegal profits, authorities said Wednesday. MARY ALTAFFER/THE ASSOCIATED PRESS

## 7 accused of Dell insider trading that netted \$62M

By Kevin G. Hall  
McClatchy Tribune Newspapers

WASHINGTON — Federal authorities announced criminal and civil charges Wednesday against seven investment fund managers and analysts whom they accuse of gaining more than \$62 million in illicit earnings through insider information passed to them about Texas-based computer giant Dell Inc.

Four men were arrested early Wednesday in New York and Los Angeles, and another three already had pleaded guilty and were cooperating with prosecutors, the FBI and the Securities and Exchange Commission said at a joint news conference in Manhattan. The arrests are part of an ongoing four-year probe into insider trading in the hedge fund industry.

"Today's action lays bare an organized network of analysts and fund traders who set up and used a corrupt network to obtain insider information," said Robert Khuzami, the SEC's chief of enforcement.

The managers and analysts worked for or with two Connecticut-based hedge funds, Diamondback Capital Management LLC and Level Global Investors LP.

The federal officials said that inside tips about three 2008 quarterly earnings reports from Dell had allowed the alleged conspirators to rake in more than \$62.3 million in illicit profits. Insider trades at California-based tech firm Nvidia netted them another \$15.7 million, according to the SEC, the FBI and the U.S. Attorney's Office for the Southern District of New York.