

This Week in Wall Street Reform | August 1–7, 2015

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CONSUMER FINANCE & THE CFPB

[Why do Republicans hate the CFPB so much?](#)

Michael Hiltzik, Los Angeles Times, 7/23

House Financial Services Committee Chairman Jeb Hensarling (R-Texas) has been the CFPB's [most relentless critic](#). "The CFPB undoubtedly remains the single most powerful and least accountable federal agency in all of Washington," he said, which is an exaggeration on a Trumpian scale.

Presidential contender Sen. Ted Cruz (R-Texas) just this week introduced a measure to [abolish the CFPB outright](#). He called it "a runaway agency" that "does little to protect consumers." Abolishing the CFPB, Cruz said, would give Congress "the opportunity to free consumers and small businesses from the CFPB's regulatory blockades and financial activism, which stunt economic growth."

If you think that sounds a bit like getting government off the backs of the people so big business can saddle up, you may be right.

[Dodd-Frank's Legacy Depends on CFPB Flexing Its Muscles](#)

Travis Plunkett, American Banker, 8/3

Later this year or early next, the CFPB is likely to propose new rules for checking account overdraft practices. Many observers anticipate that these rules will rein in transaction reordering, a tactic some financial institutions use to maximize overdraft fees by processing a customer's largest transactions first instead of following the order in which the transactions occurred.

This measure is a good start, but the CFPB also needs to address other high checking account overdraft costs... The median overdraft fee is about \$35 for a \$24 transaction, and the consumer typically pays it in three days, according to data from the bureau and my organization's research. By the bureau's estimate, that charge is tantamount to a loan with an annual percentage rate of more than 17,000%. Overdraft fees need to more closely align with the actual cost of providing the service.

[Democrats decry government overreach, sloppy math in CFPB crackdown on auto loans](#)

Kelly Riddell, Washington Times, 8/5

"The [CFPB](#) has done the dealers a massive injustice," [Rep. David Scott](#), Georgia Democrat, declared shortly before the House Financial Services Committee voted 47-10 last week to nullify guidance that the [CFPB](#) issued in 2013 regarding car loans. He was one of 13 Democrats to join Republicans in the vote. The Democrats argue that [Congress](#) explicitly exempted auto dealers from [CFPB's](#) regulatory oversight and that the evidence the agency used to accuse dealers of discriminatory lending was deeply flawed.

"When you get into this area of accusing someone of racial discrimination, that is a serious indictment, and no industry deserves that kind of treatment, and certainly not the auto dealers," Mr. Scott said.

[Office of Personnel Management and CFPB violating American's privacy](#)

Andrew Langer, The Hill, 8/3

[Watchdog: CFPB headquarters' renovation costs "reasonable"](#)

Trey Garrison, HousingWire, 8/5

[Senator Elizabeth Warren introduces legislation to exclude credit history from job applications](#)

Anne Gerard Flynn, Masslive.com, 8/6

The Equal Employment for All Act is similar to 2013 legislation introduced into the U.S. House of Representatives by Rep. Steve Cohen, D-Tenn. to amend the Fair Credit Reporting Act. Warren, [along with seven other lawmakers](#), introduced [their legislation](#) into the Senate that year, but it stalled in committee.

The [bill would prohibit employers](#) from requiring prospective employees to disclose their credit history as part of the job application process. Credit bureaus issue reports, based on a 300- to 850-point scale, aimed at measuring whether a consumer is likely, on the basis of their credit history, to repay money owed. What such information has to do with whether someone should be hired is a much debated point.

[Sen. Warren Introduces Legislation to Prohibit Employers from Requiring Credit History Disclosure](#)

Susan Petroni, Patch.com, 8/6

The legislation would prohibit employers from requiring potential employees to disclose their credit history as part of the job application process. It was previously thought that credit history may provide insight into an individual's character, but research has shown that an individual's credit rating has little to no correlation with his or her ability to be successful in the workplace.

The Equal Employment for All Act has been endorsed by more than 40 organizations [including] **Americans for Financial Reform...**

See [Fact Sheet](#) on the bill.

[Bill limiting CFPB has long road to becoming law](#)

Hannah Lutz, Automotive News, 8/5

[CFPB fines company \\$1.6 million for creating 'loan modification purgatory'](#)

Ryan Smith, Mortgage Professional America, 8/3

[Payday lenders prey on low-income families](#)

Gynnie Robnett, AFR, NWI Times, 8/2

Efforts to rein in the worst abuses of payday lending are on the right track and long overdue. If it does the job well, the Consumer Financial Protection Bureau will end an abusive scheme that has dragged countless lower-income Americans into bankruptcy, destroyed their credit and trapped them in financial quicksand.

There is nothing radical or extraordinary about the proposal the CFPB has begun to outline. At its heart, the new rules the bureau has in mind would simply require payday lenders to do what responsible lenders — including some credit unions and mortgage companies — do as a matter of course. It will require creditors to make affordable loans.

[Nursing homes that make payday loans to their employers](#)

John Sandman, TheStreet.com, 7/10

[AARP South Dakota Supports Efforts to Cap Payday Lending Interest Rates](#)

KDLT News, 8/5

[Coffee shop chaos predicts pay-day loan petition campaign](#)

Jonathan Ellis, Argus Leader, 8/1

[Department of Defense Adopts Significant Changes to Its Military Lending Act Regulations](#)

Leonard N. Chanin and Obrea O. Poindexter, Mondaq, 8/5

[Payday Lender Blocked Access to Customer Accounts, Lawsuit Claims](#)

Ben Walsh, Huffington Post, 8/6

[Payday Lender Blocked Access to Customer Accounts, Lawsuit Claims](#)

Ben Walsh, Huffington Post, 8/6

[CFPB takes action against offshore payday lender](#)

Lydia Wheeler, The Hill, 8/4

[Regulators Sue to Shut Down Illegal Offshore Payday Loan Network](#)

Ashlee Kieler, The Consumerist, 8/4

[Report: Consumers Favor Overall CFPB Framework to Regulate Payday Lending](#)

Press Release, ACA International, 8/4

[Why a 36% Cap Is Too Low for Small-Dollar Loans](#)

Thomas Miller Jr. and Chad Reese, American Banker, 8/4

[Regulation Could Be a Blessing in Disguise for Online Lenders](#)

Brayden McCarthy, American Banker, 8/4

Chicago Mayor Rahm Emanuel [launched](#) a citywide campaign in January cautioning borrowers about "predatory online lending," and the state of Illinois is [working](#) on a bill to rein in unsavory practices. Meanwhile, federal regulators have largely taken a wait-and-see approach. But the Treasury's July [request](#) for public input on marketplace lenders suggests that policymakers are keeping a close eye on the industry.

Online lenders funded an estimated [\\$5 billion](#) in small-business loans last year, a fraction compared to the [\\$300 billion](#) in outstanding small-business loans at domestic banks. However, online lenders' meager market share masks immense potential. [Morgan Stanley](#) puts their addressable market at \$280 billion and predicts online lenders will grow 50% annually through 2020. Unfortunately, this growth is partially underpinned by regulatory arbitrage — particularly when it comes to borrower protections.

Indeed, many of these lenders originate loans online across myriad states but underwrite them in states like Utah, which lacks a usury cap. This results in the "rent-a-charter" model, which Goldman Sachs has [called](#) "the new shadow bank."

[Peer-to-peer lenders get ahead of regulation with voluntary code](#)

Aaron Pressman, Yahoo Finance, 8/6

DERIVATIVES, COMMODITIES & THE CFTC

[ISDA Briefing Note on Derivatives Market Reforms Five Years After Dodd-Frank Act](#)

Diana Milanese, National Law Review, 8/4

DODD-FRANK (AND CONTINUED ATTACKS)

[GOP doubles down on bank deregulation](#)

Darrell Delamaide, USA Today, 8/4

[Only Three Quarters of Dodd-Frank Regulations Implemented](#)

Clayton Browne, ValueWalk, 8/3

ENFORCEMENT

[Former Libor 'Ringmaster' Hayes Gets 14 Years for Libor Rigging](#)

Gavin Finch and Liam Vaughan, Bloomberg, 8/3

EXECUTIVE PAY

[SEC approves 'pay ratio' disclosure for CEOs](#)

Kevin McCoy, USA Today, 8/5

"In recent decades, CEO compensation overall has grown to nearly 300 times what typical employees earn," **Americans for Financial Reform**, a coalition of more than 200 civil rights, consumer, labor and other groups wrote in a letter to the SEC. "Investors should have the ability to consider whether a CEO provides hundreds of times the value of their employees as they weigh whether to invest in a particular firm."

[SEC Approves Rule on CEO Pay Ratio](#)

Peter Eavis, New York Times, 8/5

January 2015: The House passed legislation to ease some Dodd-Frank rules, shrugging off President Obama's veto threat. "The strategy on Dodd-Frank is death by a thousand cuts," said... **Americans for Financial Reform**.

"There are definitely weaknesses that we are concerned about," said Heather Slavkin Corzo, director of investment at the A.F.L.-C.I.O....When calculating the median employee pay figure, the rule allows companies to choose a statistical sampling of its employees, rather than an actual survey of all its workers. In addition, companies can exclude up to 5 percent of their employees who are not in the United States. The rule also lets companies make a so-called cost-of-living adjustment — reflecting that lower wages in some places can buy the same goods and services as higher wages in other places — which would most likely increase the median employee pay figure. Still, companies applying the adjustment would also have to disclose the ratio without the adjustment. And companies can calculate the median pay of employees on any date within the last three months of its fiscal year. Selecting the right date could result in the company leaving out many lower-paid seasonal workers.

[Why Putting a Number to C.E.O. Pay Might Bring Change](#)

Gretchen Morgenson, NY Times, 8/6

Because the rule will generate an easily graspable and often decidedly shocking number, it may energize a cadre of new combatants in the executive pay fight. And because these newcomers — company employees, state governments and possibly even consumers — will most likely be more vocal on the matter than institutional investors have been, the executive pay bubble might actually start to deflate.

[This is why your CEO makes more than 300 times your pay](#)

Sarah Anderson, Fortune, 8/7

In a [dissenting statement](#), SEC Republican Commissioner Michael Piwowar said his colleagues were "acquiescing to bullies." If supporting CEO-worker pay ratio disclosure makes you a bully, then count me among them. For many years, I've argued that extreme inequality within firms, with big company CEOs making hundreds of times more than shop floor employees, is not just grossly unfair. It's also bad for business.

[Want to know how much more your boss makes than you?](#)

Kate Gibson, CBS Moneywatch, 8/5

"Out-of-control compensation played a conspicuous part in the cycle of reckless lending, opaque securitizing and systematic offloading of responsibility that led to the financial and economic meltdown," **Americans for Financial Reform** said in a statement. "Runaway pay, repeated studies have shown, inhibits teamwork, reduces employee morale and productivity, and encourages executives to make dangerous short-term bets."

[A Long Time Coming, Sunlight on the Executive Pay Gap](#)

Editorial, New York Times, 8/6

The new “pay ratio” rule, part of the Dodd-Frank financial reform law, requires companies to compute and disclose the ratio of chief executive pay to the median pay of employees, while skillfully addressing complaints from corporate America that doing so would be a costly logistical nightmare. For instance, it allows statistical sampling to compute median pay, which will make the calculation easier for companies with many employees in differing locations.

[Defending the Bullies](#)

Bartlett Naylor, Huffington Post, 8/6

To achieve the success of the SEC following-through with a congressional mandate, Public Citizen worked in concert with the AFL-CIO, AFSCME, the Institute for Policy Studies, As You Sow, the Teamsters and other members allied with **Americans for Financial Reform**. We count, apparently, among the “bullies” that Commissioner Piwowar complained about. Our chief weapon--the written and spoken word (with an occasional Facebook graphic).

[SEC: Firms Must Report CEO-to-Worker Pay Ratio](#)

Melanie Waddell, ThinkAdvisor, 8/5

But **Americans for Financial Reform** said the rulemaking was long overdue, and that “out-of-control compensation played a conspicuous part in the cycle of reckless lending, opaque securitizing and systematic offloading of responsibility that led to the financial and economic meltdown of 2008.”

“Runaway pay,” AFR said, “repeated studies have shown, inhibits teamwork, reduces employee morale and productivity, and encourages executives to make dangerous short-term bets...” Now that the SEC “has met this requirement,” AFR said, regulators must move ahead on a “strong rule” implementing Section 956 of Dodd-Frank, “which prohibits compensation for executives at big banks that encourages excessive risk taking, putting the public at risk.”

[The Obama Administration Will Force Companies to Show How Out of Touch CEO Pay Really Is](#)

Patrick Caldwell, Mother Jones, 8/5

On Wednesday, the Securities and Exchange Commission finalized a long delayed rule that will force all publicly traded companies to publish a ratio between the amount it pays its CEO and the median salary at the company. The rule was finalized by a 3-2 vote. Companies will need to start revealing this information starting in 2017. “After too much delay, the Securities and Exchange Commission did the right thing today,” Jim Lardner, a spokesperson for the liberal **Americans for Financial Reform**, said in a statement Wednesday.

[9 CEOs paid 800 times more than their workers](#)

Matt Krantz, USA Today, 8/6

[Workers Can Handle the Truth](#)

Susan Milligan, US News, 8/6

[This CEO Has the Highest Pay Compared To His Workers](#)

Claire Zillman, Fortune, 8/6

[Pay Ratio: 10 Things to Know About the New Rules](#)

Broc Romanek, CorporateCounsel.net, 8/6

[New rule could reveal the huge gap between CEO pay and worker pay](#)

Drew Harwell and Jena McGregor, Washington Post, 8/4

[SEC Proposes Rules to Implement Dodd-Frank Act Executive Compensation Clawback](#)

J. Sue Morgan and Sarah Rivard, Perkins Coie, 8/3

See statements by [AFL-CIO](#), [AFR](#), [Campaign for America’s Future](#), [EPI](#), [IPS](#), and [Teamsters](#); also by Senators [Menendez](#) and [Warren](#); and by SEC Commissioners [White](#), [Aguilar](#) and [Stein](#); and dissents by Commissioners [Gallagher](#) and [Piwowar](#).

FEDERAL RESERVE

[Is the Fed Worth It? House Republicans Want to Find Out](#)

Natalie Johnson, Daily Signal, 8/4

HEDGE FUNDS AND PRIVATE EQUITY FUNDS

[Calpers' \\$5bn private equity bill](#)

Chris Flood, Financial Times, 8/2

[CalPERS' private equity investing fees are expected to be 'ginormous'](#)

Dean Starkman, LA Times, 8/3

[Private equity picks at smaller morsels](#)

Joseph Cotterill, Financial Times, 8/7

[Private Equity's Top Washington Lobbyist to Step Down](#)

Jason Kelly, Bloomberg, 8/5

HIGH SPEED TRADING AND FINANCIAL TRANSACTION TAX

[Rules suggested for high-speed trading](#)

Joseph Lawler, Washington Examiner, 8/4

"What we would like to see from the regulators is movement on this agenda of addressing possible market instability that may come out of electronic trading practices," **Americans for Financial Reform** policy director Marcus Stanley said on a press call Monday. "We haven't really seen much movement."

Stanley, whose group presses for strong supervision of finance, joined other advocates in suggesting that bond markets are safe and that recent episodes of volatility in financial markets are the product of high-speed trading, not a systemic lack of liquidity.

[Why taxing Wall Street won't work](#)

Bill Harts, CNBC, 8/4

INVESTOR PROTECTION AND THE SEC

[Ex-S&P exec may proceed with case against SEC, U.S. judge rules](#)

Nate Raymond, Reuters, 8/3

[GAO: Dodd-Frank Plan for Ratings Agency Overseer is 'Premature'](#)

Joe Mont, Compliance Week, 8/3

[Financial Regulation Sharpens Risk Data Focus](#)

Editorial, CIO Journal, 8/4

[Newly Elected FINRA Leader Raises Fiduciary Hackles](#)

Ann Marsh, Financial Planning, 8/3

[Private Equity's Top Washington Lobbyist to Step Down](#)

Jason Kelly, Bloomberg, 8/5

[Q&A: Pimco and the SEC's bond ETF probe](#)

Michael Mackenzie and Dan McCrum, Financial Times, 8/4

MORTGAGES & HOUSING

[A Slack Lifeline for Drowning Homeowners](#)

Gretchen Morgenson, New York Times, 7/31

[Fed loan survey says lending standards eased for mortgage loans](#)

Jason Lange, Reuters, 8/3

POLITICAL INFLUENCE OF WALL STREET

[Rick Perry Toughens Up on Banks as Wall Street Cash to His Campaign Dries Up](#)

Eric Garcia, NationalJournal, 8/4

RETIREMENT SECURITY & FIDUCIARY DUTY RULE

[Panels Mix Pro/Anti DOL Fiduciary Rule Speakers](#)

John Hilton, Insurance News Net, 8/4

Seventy-five groups are lined up to butt heads at the Department of Labor's four-day public hearing on its proposed fiduciary rule. The hearing begins at 9 a.m. Monday and is scheduled to conclude Thursday afternoon. The DOL added a fourth day to its initial three-day plan.

Group slated to speak include the AFO-CIO, the Consumer Federation of America, the U.S. Chamber of Commerce, the American Bankers Association and the **Americans for Financial Reform**. They are scheduled to appear on three-group panels for an hour. Most of the panels include a mix of pro- and anti-rule groups.

[Can New Rules Keep Financial Advisers on Your Side?](#)

Jim Gold, MoneyTalksNews, 8/3

[Labor Department posts 'fiduciary' hearing list](#)

Patrick Temple-West, Politico, 8/3

[The Meritless Assault on the DOL's Fiduciary Rule](#)

Dan Solin, Huffington Post, 8/4

[SEC commissioner: DOL fiduciary rule would create 'a mess'](#)

Mark Schoeff Jr., InvestmentNews, 8/4

STUDENT LOANS & FOR-PROFIT EDUCATION

[Citigroup facing investigation over student loans](#)

Dakin Campbell and Janet Lorin, Bloomberg, 8/3

[Defense Department now reviewing University of Phoenix recruiting](#)

Bobby Caina Calvan, Reveal/Center for Investigative Reporting, 8/6

[Why we want Republicans to debate for-profit colleges](#)

Randi Weingarten, Fox News, 8/6

[Are Big Changes Coming to Student Loan Bankruptcy Rules?](#)

Megan Elliott, CheatSheet, 8/4

[Elizabeth Warren wants the Education Dept.'s 'flawed' review of student loan contractors investigated](#)

Danielle Douglas-Gabriel, The Washington Post, 8/5

[For-Profit College Closes Without Telling Its Students](#)

Andy Thomason, The Chronicle of Higher Education, 8/6

[How student loan debt hobbles so many Americans](#)

Bruce Kennedy, Moneywatch, 8/5

[The US government may be partly to blame for skyrocketing tuition](#)

Peter Jacobs, Business Insider, 8/4

[This Student Debt Relief Program Will Cost Taxpayers at Least \\$39 Billion](#)

Janet Lorin, Bloomberg, 8/6

[Why Do I Keep Seeing Commercials For Everest University?](#)

Ashlee Kieler, The Consumerist, 8/4

SYSTEMIC RISK

['Too Big to Fail' Is Still a Problem - Here's How D.C. Wants to End It](#)

Eric Garcia, National Journal, 7/29

In 2013, Ohio Democratic Sen. Sherrod Brown and Louisiana GOP Sen. David Vitter proposed legislation that requires mid-sized and regional banks to [hold](#) capital that is the equivalent of 8 percent of their assets, and banks with more than \$500 billion in assets would be required to hold 15 percent.

“Fixing much of this could have been done 10 years ago by higher capital requirements, which we failed to do, but we need to move more in that direction,” [Sherrod] Brown, now the ranking Democrat on the Senate Banking Committee, said at a press conference this month with **Americans for Financial Reform**.

[Another disaster is coming unless we downsize ‘too-big-to-fail’ banks](#)

Simon Johnson, MarketWatch, 8/3

[JPMorgan tops international risk list](#)

Kaja Whitehouse, USA Today, 8/4

[Morgan Stanley, BlackRock Say Bond-Liquidity Concern Overheated](#)

Michael J Moore and Alex Harris, Bloomberg, 8/3

[Why Glass-Steagall Should Be a Key Issue During the 2016 Campaign](#)

Olivia LaVecchia, ILSR, 7/17

See [audio stream and presentation materials](#) from AFR event on market liquidity.

OTHER TOPICS

[Fed Survey Finds Pickup in Demand for Loans](#)

Anna Louie Sussman, Wall Street Journal, 8/4