

## AMERICANS FOR FINANCIAL REFORM

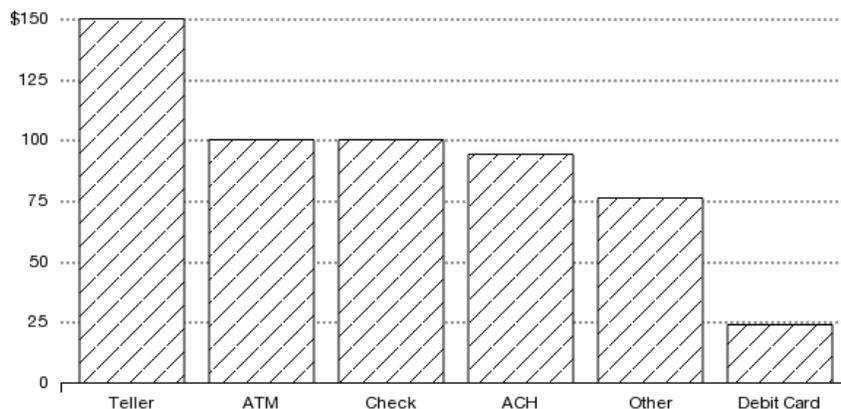
### THIS WEEK IN WALL STREET REFORM AUGUST 2-8, 2014

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## CONSUMER FINANCE AND CFPB

### Overdrafts on Debit Cards Are For Small Value Buys

Median value of overdrafted transactions that were charged a fee



SOURCE: Consumer Financial Protection Bureau

### [Overdraft Fees Often Cost More than Your Purchase](#)

**Kate Rogers, Fox Business, 8/1/14**

"You might think twice about purchasing that \$2 pack of gum if the final cost ends up costing you \$36. With more Americans swiping their debit cards for small purchases, overdraft protection fees are racking up. These fees are charged when a consumer doesn't have enough cash in their account to cover their transactions.

"A new report from the Consumer Financial Protection Bureau finds the majority of debit and credit ATM transactions are \$24 or less, with an added median overcharge fee of \$34. While most fees are paid within three days, when broken down into lending terms, a \$24 loan for that time period would carry a 17,000% annual percentage rate (APR)."

### [Are Overdraft Fees Really Just Loans Charging 17,000 Percent Interest?](#)

**Karen Wiese, Bloomberg, 8/1/14**

[\\$31 Billion in Overdraft Fees?! One Simple Rule to Not Be a Sucker](#)  
Brad Tuttle, Time, 8/3/14

[Young Adults Hit Hardest by Overdraft Fees](#)  
Kevin Dugan, New York Post, 8/1/14

See [CFPB Overdraft Report](#)

[7 Steps in Dealing With Debt Collectors](#)  
Erik Carter, Forbes, 8/1/14

[Regulator Targets Legal Debt Collectors](#)  
Alan Zibel, Wall Street Journal, 8/3/14

[GM Subprime Auto Lending Draws Attention of U.S. Investigators](#)  
Tim Higgins and Sarah Mulholland, Bloomberg, 8/5/14

[FICO Recalibrates Its Credit Scores](#)  
AnnaMaria Andriotis, Wall Street Journal, 8/7/14

[Credit Scores Could Rise With FICO's New Model](#)  
Tara Siegel Bernard, New York Times, 8/7/14

## **DERIVATIVES, COMMODITIES & THE CFTC**

[Senator Grassley Probes U.S. CFTC's spending on Office Leases](#)  
Sarah Lynch, Reuters, 8/1/14

[Parnon, Arcadia to Pay \\$13 Million in CFTC's Price-Rigging Suit](#)  
Joel Rosenblatt, Bloomberg, 8/4/14

[CFTC Settlement in Crude-Oil Case Setback for Regulators](#)  
Christian Berthelsen, Wall Street Journal, 8/5/14

## **ENFORCEMENT**

[Multi-Million Dollar Battle to Encourage Whistleblowers](#)  
Mark McSherry, London Evening Standard, 8/5/14

[Capital One Says Subpoenaed Over Anti-Money Laundering](#)  
Elizabeth Dexheimer, Bloomberg, 8/6/14

[Manhattan DA Vance Says U.S. Investigations into Banks Remain Active](#)  
Bloomberg Video, 8/6/14

## EXECUTIVE COMPENSATION

### [UK Bank Bonuses Targeted by BOE in 7-Year Clawback Rule](#)

**Jim Brunsten, Bloomberg, 7/30/14**

“Senior bankers could be forced to pay back bonuses as long as seven years after they’re awarded under new Bank of England rules to curb short-term risk-taking...

“As these new rules are among the toughest in world, we need to be careful we don’t create uncertainty which might make it increasingly hard to attract talent to London,’ said John Cridland, director general of the Confederation of British Industry, which represents U.K. companies. “The government needs to work hard to ensure the U.K. remains competitive as a leading global financial center.”

### [Bankers Enjoy Bonus Fat as EU Tries to Slim Them Down](#)

**Ambereen Choudhury, Bloomberg, 8/5/14**

## INVESTOR PROTECTION AND THE SEC

### [SEC Whistleblower Rewards Provide A Powerful Incentive](#)

**Tara Perkins, Toronto Globe and Mail, 8/4/14**

### [Citigroup’s \\$285 Million Settlement With SEC Approved by Judge](#)

**Joseph Ax, Reuters, 8/5/14**

## FINANCIAL TRANSACTION TAX & HIGH-FREQUENCY TRADING

### [‘Flash Boys’ and the Speed of Lies About My Firm](#)

**Brad Katsuyama, Bloomberg, 8/3/14**

“On July 7, Bart Chilton, a former commissioner of the Commodity Futures Trading Commission, wrote [an article](#) about high-frequency trading for the New York Times's DealBook. He argued, in effect, that because high-frequency trading has become so central to the stock market, it must be serving some necessary purpose. ‘At any one time, it is likely that 50 percent of all trades are made by high-frequency traders in United States equity markets,’ he wrote. ‘Even trading volume on the IEX exchange, which is trumpeted as creating “institutional fairness” in the Michael Lewis book 'Flash Boys' about the topic, is now made up of roughly 50 percent high-frequency traders.’

“This is false: While high-frequency trading firms are estimated to generate 50 percent or more of the volume on other stock markets, on IEX, high-frequency trading firms currently make up less than 20 percent of our volume... There is a reason for this vast difference on IEX: We have sought to eliminate the unfair advantages HFT has over genuine investors (such as the combination of high-speed data and the ability to place their computers feet away from exchange-matching engines)...”

### [How to Avoid Another Wall Street Tsunami](#)

**Jeff Furman, Fortune Magazine, 8/4/14**

“More than five years after crash of the U.S. housing market, a big share of financial activity still threatens our economic security. The “too big to fail” banks are bigger today than they were before the crisis. Computer-driven high-frequency trading with no connection to the real economy is [taking profits from traditional investors](#) and undermining market stability.

“And so while I support raising the minimum wage, I’m also hoping policymakers will do much more to tackle the Wall Street threats that could wash away these wage gains. One tool that would help steer us in the right direction is a financial transaction tax. Through a fee of a fraction of a percent on each trade of stocks, bonds, and derivatives, we could encourage longer-term, productive investment.”

### [Goldman Sachs Adds U.S. Dark Pool to Regulatory Review List](#)

**Crain’s NY Business, 8/7/14**

“Goldman Sachs Group Inc. added its U.S. alternative-trading system to a list of items that are under review by governmental and regulatory bodies. Goldman Sachs made the disclosure Thursday in its [quarterly filing](#) with the Securities and Exchange Commission. The New York-based firm didn’t specify who is investigating or what stage the process is in.

“New York Attorney General [Eric Schneiderman](#) has said he’s investigating the arrangements between alternative-trading systems, also known as dark pools, and high-frequency trading firms.”

### [Bats Said in SEC Settlement Talks Over High-Speed-Trading Perks](#)

**Sam Mamudi, Bloomberg, 8/6/14**

### [Firm Suing 270 Debtors Daily Accused by U.S. of High-Speed Flubs](#)

**Patrick G. Lee, Bloomberg, 8/7/14**

## **MORTGAGES, FORECLOSURES & HOUSING**

### [Bank of America Offers U.S. Biggest Settlement in History Over Toxic Mortgage Loans](#)

**Ben Protess and Michael Corkery, NY Times, 8/6/14**

“After months of lowball offers and heels dug in, it took only 24 hours for [Bank of America](#) to suddenly cave in to the government, agreeing to the largest single federal settlement in the history of corporate America.

“The tentative deal — which people briefed on the matter said would cost Bank of America more than \$16 billion to settle investigations into its sale of toxic mortgage securities — started to take shape last week after the Justice Department rejected yet another settlement offer from the bank. Then, a wild card entered the fray.

“Judge [Jed S. Rakoff](#), a longtime thorn in the side of Wall Street and Washington, issued an unexpected ruling in another Bank of America case that eroded what was left of the bank’s negotiating leverage. Judge Rakoff, of Federal District Court in Manhattan, ordered the bank to pay nearly \$1.3 billion for selling 17,600 loans, many of which were

defective. Bank of America had previously lost that case, which involved its Countrywide Financial unit, at a jury trial.”

### **US Banks Told to Steer Billions to Hard-Hit Areas**

**Kara Scannell, Financial Times, 8/7/14**

“Big US banks will have to offer billions of dollars more in relief to the communities hardest hit by the financial crisis, as US authorities demand new terms for settling claims of mortgage sales abuses. The Department of Justice and Department of Housing and Urban Development are adding provisions aimed at directing aid to distressed areas and community redevelopment efforts as they resolve outstanding investigations into mortgage sale abuses.”

### **Concern US Housing Relief Skips The Hardest Hit**

**Kara Scannell, Financial Times, 8/7/14**

“Several years after the financial crisis and the rounds of loan modifications that followed it is still unclear which communities across the US received mortgage relief from the government’s \$50bn [housing settlement](#)... One issue vexing housing groups is that they cannot see where the relief went because the banks were not required to report the cities or postcodes that received relief. Banks maintain they offered opportunities to every eligible client.

“‘It’s not the lifestyle of the rich and famous,’ says Joseph Smith, a former state banking commissioner who is serving as the independent monitor for NMS and other settlements. ‘In some states like California, Nevada and Arizona you didn’t get much house for \$1m. A lot of middle class people borrowed a lot of money,’ he notes.

“‘The way that we’re reconciling Joe Smith saying the banks met all their obligations with the experience of counsellors in our broader network saying they’re not seeing that relief is that the relief has not trickled down to the communities that were hardest hit by the crisis which is where the housing counsellors and lawyers are working,’ says Kevin Stein, associate director at the California Reinvestment Coalition, a non-profit association providing advocacy for low-income communities. ‘It raises this broader issue of there being a lack of transparency around what is happening and who is being served.’”

### **Impac Mortgage Rolls Out Loans with Easier Qualifying Terms**

**E. Scott Reckard, LA Times, 8/1/14**

### **Banks Burdened With Compliance Costs Outsource Loans**

**Kathleen M. Howley, Bloomberg, 8/4/14**

## **REVOLVING DOOR & POLITICAL POWER OF WALL STREET**

### **U.S. Swap Regulator’s Ritter Joins Chilton at DLA Piper Law Firm**

**Silla Brush, Bloomberg, 8/6/14**

## STUDENT LOANS AND FOR-PROFIT SCHOOLS

### [Preemption Alert: Senate Banking Committee on Student Loans and Campus Cards](#)

**Ed Mierzwinski, US PIRG, 8/6/14**

“Last week the U.S. Senate Banking Committee held a hearing ([archive includes video](#)) called "Financial Products for Students: Issues and Challenges." It heard recommendations on campus banking and student loan issues from several student advocates, including U.S. PIRG Higher Education Program Director Christine Lindstrom. The hearing also featured a spirited exchange between Senator Elizabeth Warren (MA) and Richard Hunt of the Consumer Bankers Association concerning the failure of private student lenders to give student-consumers more options to re-finance or defer their loans, including in cases of extreme undue hardship, such as when the borrower dies suddenly. Senator Warren discussed such a tragedy, as profiled in a recent [CNNMoney story](#). A young mother died with \$100,000 in debt that, with interest, has ballooned to a \$200,000 burden on her parents.”

### [6 Senate Democrats Call for Stricter Oversight of For-Profit Colleges' Finances](#)

**Nick DeSantis, Chronicle of Higher Education, 8/5/14**

“Six Democrats in the U.S. Senate on Tuesday urged the Obama administration to step up its oversight of the financial health of for-profit colleges. In a [letter](#) to Mr. Obama and other administration officials, the senators, led by Sen. Tom Harkin of Iowa and Sen. Richard J. Durbin of Illinois, said that they were trying to prevent the recent collapse of Corinthian Colleges Inc. from repeating itself at another institution.”

### [Senate Democrats Question For-Profit College Oversight](#)

**Alan Zibel, Wall Street Journal, 8/5/14**

### [ITT Cash Crunch Has Analysts Raising Spectre Of Bankruptcy](#)

**J.K. Wall, Indianapolis Journal, 8/5/14**

### [Documents Show What the Department of Education Knew About Corinthian College's Financial Situation](#)

**Molly Hensley-Clancy, BuzzFeed, 8/5/14**

### [Tactical Veteran: Put School to the Test Before You Enroll](#)

**Steve Maieli, Army Times, 8/5/14**

### [ITT Educational Scrutiny Spreads to College's Lenders](#)

**John Lauerma and Janet Lorin, Bloomberg, 8/7/14**

### [5 Start-Ups That Make Paying Back Student Loans Easier](#)

**Jane Burnett, NBC News, 8/1/14**

## SYSTEMIC RISK

### [Federal Reserve and FDIC Fault Big Banks' 'Living Wills'](#)

**Peter Eavis, NY Times, 8/5/14**

“Congress’s overhaul of the financial system aims to reshape large banks so that if they get into trouble they can descend into an orderly bankruptcy that does not set off a wider

panic. But on Tuesday, two regulators, the Federal Reserve and the [Federal Deposit Insurance Corporation](#), sharply criticized the plans that the banks have prepared for winding themselves down in a controlled fashion. The F.D.I.C. said that it had determined that the so-called living wills were 'not credible.'

"The agencies have sent letters to 11 banks, including [JPMorgan Chase](#) and [Goldman Sachs](#), pointing out perceived shortcomings in the resolution plans that they submitted in 2013. The agencies demanded that the banks make improvements in living wills they submit for 2015.

"Despite the thousands of pages of material these firms submitted, the plans provide no credible or clear path through bankruptcy that doesn't require unrealistic assumptions and direct or indirect public support,' Thomas M. Hoenig, the vice chairman of the F.D.I.C., said in a statement."

### ['Too Big To Fail' Lives As Regulators Slam Banks' Living Wills](#)

**Shahien Nasiripour, HuffingtonPost, 8/5/14**

"Eleven of the nation's largest banks have failed to convince federal regulators they could safely be wound down if they neared failure, government authorities said Tuesday, reinforcing the idea that they are too big to fail.

"The Federal Deposit Insurance Corp. said October blueprints submitted by banks, including JPMorgan Chase, Goldman Sachs and Bank of America, detailing how they think they'd be resolved in bankruptcy if they neared collapse were 'not credible.' The Federal Reserve, another bank regulator, said the so-called living wills need significant improvement by July 2015 or the government may force them to shrink."

### [Too-big-to-fail Banks' Living Wills Are Inadequate, Regulators Say](#)

**E. Scott Reckard, LA Times, 8/5/14**

"In strong language, the regulators reprimanded Wall Street over the latest batch of living wills. The FDIC said that the plans were "not credible" and didn't "facilitate an orderly resolution under the U.S. Bankruptcy Code.

"The Fed said it had ordered the 11 banks to 'take immediate action to improve their resolvability and reflect those improvements in their 2015 plans.' The regulators' letters to the banks, with specific criticisms of their proposals, were deemed private and were not released."

### [Banks' Living Wills Aren't Looking So Good](#)

**Kai Ryssdal, NPR, 8/5/14**

### [Wall Street Didn't Win. Financial Reform Is Working](#)

**Michael Grunwald, Time, 8/7/14**

### [U.S. Regulators Reject Bankruptcy Plans of 11 Big Banks](#)

**Danielle Douglas, Washington Post, 8/5/14**

### [Federal Reserve and F.D.I.C. Fault Big Banks' 'Living Wills'](#)

**Peter Eavis, New York Times, 8/5/14**

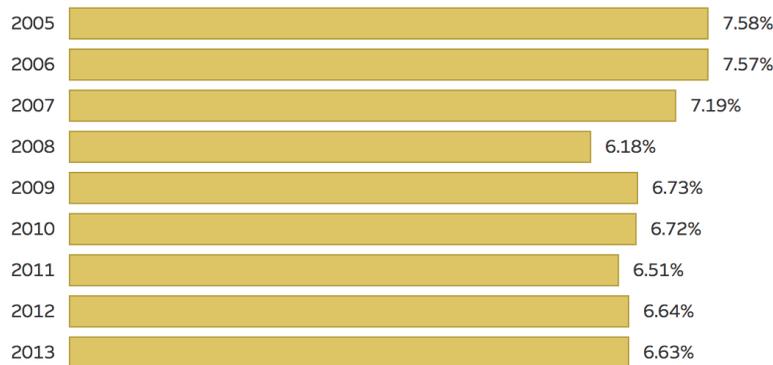
## [Obama's Other Success: Dodd-Frank Financial Reform Is Working](#)

**Paul Krugman, NY Times, 8/3/14**

“The Dodd-Frank reform bill has, if anything, received even worse press than Obamacare, derided by the right as anti-business and by the left as hopelessly inadequate. And like Obamacare, it’s certainly not the reform you would have devised in the absence of political constraints.

“But also like Obamacare, financial reform is working a lot better than anyone listening to the news media would imagine. Let’s talk, in particular, about two important pieces of Dodd-Frank: creation of an agency protecting consumers from misleading or fraudulent financial sales pitches, and efforts to end ‘too big to fail.’”

## **A less financialized economy**



Source: BEA



Finance as a share of the economy peaked in 2005

## [Dodd-Frank Is Obama's Most Underappreciated Achievement](#)

**Matthew Yglesias, Vox, 7/24/14**

“Most of all, Dodd-Frank appears to be succeeding in its core goals of making a financial crisis and a new round of massive bailouts less likely. Mike Konczal of the Roosevelt Institute [recently listed four major victories in this regard](#):

1. Banks must hold more capital, reducing profits but making failure less likely.
2. Derivatives now must be traded on exchanges, creating much more clarity about banks' real risk exposure.
3. The Volcker Rule is pushing risky trading out of the kind of financial institutions whose failures could damage the broader economy.
4. The FDIC has created a "single point of entry" process so there is now a legally clear way to wind down a large failed bank without prompting massive runs.

“None of this is to deny that significant unfinished business remains. One perennial source of — deserved — outrage about the financial sector actually lays outside the scope of regulation: the loophole that allows most private equity and hedge fund

management fees to be taxed at a preferential rate to other labor income. Obama has pushed to close that loophole but Congress appears uninterested.

**[Fair Game: Big Banks Still a Risk](#)**

**Gretchen Morgenson, New York Times, 8/2/14**

“Big bankers are usually good at arithmetic. But when it comes to assessing the benefits of their too-big-to-fail status, their calculators tend to go haywire. And yet, taxpayers have a right to know exactly how much their implied guarantees are worth to these huge and politically powerful institutions. So it is unfortunate that the new study by the Government Accountability Office trying to quantify those benefits was such a muddle.”

**["Too Big To Fail" Banks Still Have Competitive Edge](#)**

**Constantine von Hoffman, CBS News, 8/1/14**

**[Democrat Maloney Urges Law to Loosen FSOC's Disclosure Rules](#)**

**Ian Katz, Bloomberg, 8/1/14**

**[Banking Has a Sweet Spot, Says Barclays](#)**

**Saabira Chaudhuri, Wall Street Journal, 8/1/14**

**[Federal Advisory Committee on Insurance Appointed](#)**

**Claims Journal, 8/5/14**

**[Tougher Regulations 'May Just Create Different Risks'](#)**

**Philip Aldrick, Times, 8/6/14**

**[Wall Street Reforms Showing Signs of Success](#)**

**Steve Benen, MSNBC, 8/6/14**

**[Dodd-Frank Goes 0 for 11](#)**

**Wall Street Journal, 8/7/14**

**[Moelis Leads New CLO Rush as Rules Loom Over Credit Markets](#)**

**Kristen Haunss, Bloomberg, 8/7/14**

**OTHER TOPICS**

**[The Misunderstanding of Corporate Inversions](#)**

**Robert Barone, Forbes, 8/5/14**

**[Americans Give Up Passports as Asset-Disclosure Rules Start](#)**

**Dylan Griffiths, Bloomberg, 8/7/14**