

This Week in Wall Street Reform | Mar 10 – 16

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THE TRUMP ADMINISTRATION, CONGRESS AND WALL STREET

[Senate Passes Bill Loosening Banking Rules, but Hurdles Remain in House](#) | NY Times

"If the House overreaches in its effort to amend the Crapo bill, it could slow down the bill's progress," said Brian Gardner, an analyst at the financial services firm Keefe, Bruyette & Woods...

The passage of the bill in the Senate has exposed deep rifts in the Democratic Party, with Senator Elizabeth Warren of Massachusetts publicly clashing with colleagues like Senator Heidi Heitkamp of North Dakota over what she calls the "Bank Lobbyist Act."

[Senate vote to weaken Dodd-Frank risks another financial crisis](#) | MarketWatch (Tim Mullaney)

In recent days, activists at Rootstrikers, Daily Kos, and CREDO collected more than 125,000 petition signatures demanding Chuck Schumer move to block the Bank Lobbyist Act, and New Yorkers protested outside the Senate leader's Brooklyn home against the bill last week.

A broad coalition of membership groups including Demand Progress, CREDO, RootsAction, American Family Voices, Democracy for America, Daily Kos, **Americans for Financial Reform** and Public Citizen delivered more than half a million grassroots comments to the Senate opposing the Bank Lobbyist Act, including emails, petition signatures, and phone calls. Rootstrikers' grassroots activism was central to branding the supporters of the Bank Lobbyist Act as the #BailoutCaucus.

[Congress rides to the rescue of thriving bankers](#) | Politico

Critics of the bill say the facts undermine the case for rolling back key parts of the Dodd-Frank Act, the landmark law aimed at preventing a repeat of the 2008 financial crisis.

"I don't see the real-world problem [the bill] is trying to solve, except the problem of bankers' not making enough money," said Marcus Stanley, policy director at **Americans for Financial Reform**, who is among progressives warning that the bill poses potential risks to the financial system.

[Dodd-Frank Fixes Set for Senate Passage; House Posed to Pounce](#) | Mortgage News Daily

The bill contains other measures that would, according to a memo released this week by **Americans for Financial Reform**, add an appeals process to financial rulemaking, stop the

Securities and Exchange Commission from examining high-frequency trading, exempt insurance company products from CFPB oversight, throw out rules on credit rating agencies, assist payday lenders, and enable title insurance companies to increase fees on mortgage buyers.

[Senate Passes Major Financial Reform Bill](#) | ValueWalk

See statements on Senate vote by [Americans for Financial Reform](#), [AFL-CIO](#), [Center for American Progress](#), [Center for Responsible Lending](#), [National Association of Consumer Advocates](#), [National Community Reinvestment Coalition](#), [National Consumer Law Center](#), [Public Citizen](#), [UnidosUS](#), [US PIRG](#), and [Woodstock Institute](#).

See [AFR letter](#) opposing Senator Crapo's substitute amendment.

[The Surprisingly Large Winners in a Bill to Help Small Banks](#) | Wall St. Journal

Another group of banks that dwarf these small lenders stand to get a healthy profit boost if the bill goes through, they being Bank of New York Mellon, with \$372 billion of assets on its balance sheet; State Street, with \$238 billion; and Northern Trust Corp., at \$139 billion. These banks are more important than they might seem because they manage or have under custody trillions of dollars of assets.

These so-called custody banks specialize in safekeeping the securities of institutional investors like mutual funds. Under the bill, they would be able to exclude some deposits they hold at the Federal Reserve or other central banks from their total assets when calculating total leverage. No other banks, big or small, get such a benefit.

[Dodd: Sen. Crapo's bank reform bill has one fatal flaw](#) | The Hill (Christopher Dodd)

[Once a bailout recipient, this profitable midsize bank may soon win relief from banking rules](#) | Washington Post

For a bank seeking relief, Regions Financial is certainly having a good year. The Alabama-based institution is on track to post near-record profits...

"Banks are going around pleading poverty and begging for regulatory relief," said Marcus Stanley, policy director for **Americans for Financial Reform**, a nonpartisan advocacy group that advocates for tighter rules. "That is a hard argument to swallow when their profits are so high."

[Why 17 Democrats voted with Republicans to ease bank rules](#) | CNBC

Voting on the bill largely reflects the midterm political realities. The Democrats running in safer seats this year tended to oppose the bill, while the lawmakers in races that election handicappers consider close were more likely to back the plan.

Ten of the 17 Democrats who voted for the plan will run for re-election this year. Seven of them — Heitkamp, Joe Donnelly of Indiana, Claire McCaskill of Missouri, Jon Tester of Montana, Joe Manchin of West Virginia, Debbie Stabenow of Michigan and Bill Nelson of Florida — face tough races in states Trump carried.

[Senate Democrats torn asunder on banking bill, ignoring progressive base](#) | Salon

[Banking bill brings out Schumer's messy midterm strategy](#) | Associated Press

As more than a dozen Democratic senators helped Republicans chip away at the Obama-era banking law Wednesday, Schumer largely stepped aside, rather than twist arms. It was a do-what-you-must strategy aimed at allowing some moderate Democratic senators to avoid the wrath of powerful banking interests back home. But it also split the party and, some argued, muddied the party's populist message against President Donald Trump ahead of the midterm election.

[Schumer struggles to quell Warren-led rebellion](#) | Politico

Some liberals off the Hill questioned the political wisdom of Schumer freeing up so many Democratic votes to loosen bank regulations. As the party pitches itself to voters with a promise to fight for their interests, liberal activists say the banking bill sends the wrong, pro-corporate message and argue Warren's argument is in line with the Democratic base.

But given that the bill had 10 Democratic Caucus co-sponsors as of November, Schumer would have struggled to block the bill even if he tried, senators said.

"The power of Wall Street and the way that Wall Street convinced community bankers that they should have a bill that included breaks for Wall Street made it very hard to defeat," Brown said. He added it was "inaccurate" to say Schumer didn't try to stop the bill.

[Heidi Heitkamp Takes On Elizabeth Warren Over the Senate Banking Bill](#) | The Atlantic

Chief among Warren's Democratic critics is Heitkamp of North Dakota, a co-sponsor of the deregulatory bill who is in a tight reelection battle this year. Heitkamp and Warren sit next to each other on the Senate Banking Committee, but their perspectives on the bill could not be further apart. In a phone interview on Monday, Heitkamp told me Warren was misleading the public about the bill and that the debate exposed a fundamental divide between Democrats who represent rural states and those who hail from more urban and suburban areas...

For years, Heitkamp said, Democrats have watched as smaller banks and lenders in their states have been eaten up by larger institutions, due in part to the added burden of regulations created by Dodd-Frank... Warren has said that if the bill were solely about helping small, community banks, she'd be all for it. But the new proposal goes beyond that.

[Democrats call on Doug Jones to reject bank deregulation bill](#) | Birmingham News

Please, Senator Jones, remove your name from the list of cosponsors of this bill. Remember, the bankers and the financial sector are not the people who voted you into office. It was the middle class workers of Alabama, the college students who want relief from the burden of student debt, the families who are trying to make ends meet paycheck to paycheck, the teachers who are not paid enough for their work, and African Americans, most notably, African American women. These are the groups that you should be fighting for.

(Signed by) College Democrats at the University of Alabama in Huntsville, College Democrats at Alabama A&M University, High School Democrats of Alabama, Rocket City Young Democrats, Madison County Democratic Women, Madison County Democrats, Alabama Fifth Congressional District Democratic Committee, Indivisible 5th District North Alabama, Huntsville African

American History Project

[Why I voted for Dodd-Frank reform](#) | **Birmingham News (Sen. Doug Jones)**

This bill maintains the strongest post-crisis rules for Wall Street banks. Instead, the new framework tailors regulations to adjust for the fact that regional banks are smaller and take fewer risks... At the end of the day, this will help our Alabama banks focus on what they do best - making loans to Main Street, while letting federal regulators do what they do best - focus their limited resources on Wall Street.

[Republican senator proposes stripping Senate banking bill of help for big banks](#) | **Washington Post**

Sen. Bob Corker (R-Tenn.) has proposed stripping the bipartisan Senate banking bill moving toward passage of a provision critics fear would allow some of Wall Street's biggest firms to take on more financial risk. Corker, who sits on the Senate's Banking Committee, filed an amendment Monday to strike a section of the bill that could weaken one of the capital requirements imposed on banks in the wake of the 2008 financial crisis as a safeguard against another crash.

[Hensarling's last stand: Blocking banking bill](#) | **PoliticoPro**

The White House wants a bill on Trump's desk as soon as possible. But Hensarling warned Thursday that the House would sit on the legislation until senators agree to negotiate how to expand the package to include proposals that would benefit more sectors of the financial industry.

That's something the lawmakers are showing no appetite for after a brutal floor debate leading up to the bill's passage... Hensarling's refusal to accept the Senate proposal — which already incorporates about 40 pieces of House legislation — is stoking fears among some in the Trump administration and in the financial industry that their big win may become mired in the House.

[Inside the 'Revolving Door' Reform Of Dodd-Frank](#) | **Daily Caller**

One of the prime promoters for Crapo's bill was the Independent Community Bankers of America, a trade association representing some of America's tiniest banks.

ICBA President and CEO Camden R. Fine was ecstatic about the victory: "ICBA thanks the many senators who supported this bipartisan legislation," he said immediately after the bill passed by an impressive 67 to 31 vote.

Will Hollier worked relentlessly for passage of Crapo's bill on behalf of ICBA. The trade association first hired Hollier & Associates, a relatively small lobbying shop, in 2013. Hollier has close connections to the Senate Banking Committee, and his old boss, Crapo, would go on to become chairman of the powerful committee in 2017.

[The threat of another Great Depression](#) | **Concord NH Monitor (Roger Phillips, letter to the editor)**

The U.S. Senate has forgotten what led to the 2008 financial crisis that left our economy in shambles and resulted in thousands of New Hampshire home foreclosures. I'm very concerned that our senators, Maggie Hassan and Jeanne Shaheen, may support a bill (S. 2155) that rolls

back financial regulations. This bill is being sold as a moderate proposal to help community banks and credit unions. But that's far from the truth.

[Senate rolls back rules meant to root out discrimination by mortgage lenders](#) | **Washington Post**

[‘Small’ Banks That Would Benefit from Bill Have Huge Pay Gaps](#) | **Sarah Anderson, Inequality.org**

Last year, BB&T CEO Kelly King made \$12.7 million — 150 times as much as median employee pay at his bank. Those are some big numbers for a firm that stands to benefit from a senate bill being advertised as regulatory relief for small community banks...

While the firms that stand to benefit from the senate bill are not as big as Bear Stearns was at the height of the bubble, they clearly pose serious risks to taxpayers and our broader economy. According to **Americans for Financial Reform**, these same banks received almost \$50 billion in federal bailout money after the 2008 crash.

[Despite stumbling before the financial crisis, Federal Reserve would get new discretion in Senate banking bill](#) | **Los Angeles Times**

Some Senate Democrats are dubious that regulators appointed by President Trump will be tough enough on large banks to prevent another crisis despite promises from new Fed Chairman Jerome H. Powell that he would remain vigilant.

Sen. Catherine Cortez Masto (D-Nev.) said she's "not at all" comfortable deferring regulatory decisions to Fed officials after she saw the flood of foreclosures in Nevada caused by subprime lending when she was a state official from 2007 to 2015.

"The question I had when I was attorney general was: Where was the Fed from the very beginning prior to 2007" when the housing market crash began? she said. "They weren't there. So now we're going to trust them that they're going to be there this time?"

[Senate Bill Would Diminish Mortgage Disclosures by Banks](#) | **Associated Press**

Buried within new Senate legislation to roll back restraints on banks is a provision that would exempt an estimated 85 percent of all U.S. banks and credit unions from public reporting requirements, raising fears that discriminatory practices by lenders could go undetected. The data that would be exempt from reporting includes the financial information of borrowers and loan applicants, along with their race and sex. Some Democratic lawmakers, community activists and low-income-housing advocates have raised the alarm over the prospect of diminished mortgage disclosures by banks. Removing the spotlight, they say, could allow lenders to unfairly deny loans or charge excessive interest and escape notice.

[Senate banking bill rewards Equifax despite privacy breaches](#) | **Politico**

Those favors for Equifax and its peers in the credit reporting industry are among the surprise provisions in a major banking and financial deregulation bill that the Senate is set to pass this week...

"This is the credit reporting agencies, one of whom caused more than half of the U.S. adult population to get hacked and to have their Social Security numbers in the hands of thieves,"

National Consumer Law Center staff attorney Chi Chi Wu said. "They really should not have that political clout right now."

[After Equifax Breach, Credit Freeze Provision Comes at a Price](#) | NY Times

[Senate Does Equifax A Favor As A Former Executive Is Charged With Insider Trading](#) | Huffington Post

The Federal Housing Finance Agency had noted in a December request for public comment that switching from FICO would have limited benefits for potential homebuyers with weak credit histories, but potentially major consequences for everybody else. "The entire mortgage finance industry will incur operational and transition costs that could result in higher borrowing costs for consumers," it said.

The provision could "bottleneck the mortgage market," **Americans for Financial Reform**, a coalition of liberal groups, wrote in a letter opposing the broader bill.

"I know it's popular and cool to talk about disrupting markets, but it was disruption and innovation that led to the mortgage meltdown," said Chi Chi Wu, a staff attorney at the National Consumer Law Center, which is part of the coalition.

[Will HMDA data carve-out for small banks make discrimination easier?](#) | American Banker

"This is only a safety net for banks that are good actors," said Andrea Mitchell, a partner at law firm Buckley Sandler. "It's not a shield for those that lenders to hide behind for those that so they can potentially engage in bad conduct."

Critics, however, have called the new language a "ridiculous fig leaf," noting that the vast majority of banks tend to earn a satisfactory ranking or higher on their exams, although discrimination in mortgage lending still happens.

There's also been debate over how much of the industry would be covered by the carve-out. While supporters note that the vast majority of mortgage loans would be subject to full HMDA reporting, a significant portion — up to 85% — of banks would be let off the hook. This reflects the fact that the top mortgage lenders make up such a significant portion of the overall market.

[Community bankers say Senate bill will not impact HDMA reporting](#) | Financial Regulation News

[Bad business for consumers](#) | Charlotte News & Observer (Peter Skillern)

North Carolinians should be aware that federal regulators are rewriting the rules of banking and Congress is along for the ride. Unfortunately, the destination is backward, not forward.

CONSUMER FINANCE AND THE CFPB

[Trump is wrecking consumer protections, to delight of corporations](#) | Washington Post

Nowhere is Trump's deregulatory efforts more evident than at the Consumer Financial Protection Bureau, an independent watchdog agency established after the financial crisis that has delivered more than \$12 billion in consumer relief to more than 29 million people.

Trump, in this 2019 budget plan released last month, proposed cutting the agency's budget and restricting its enforcement powers "to prevent actions that unduly burden the financial industry and limit consumer choice."

He installed White House budget director Mick Mulvaney, who once compared government regulations to a "slow cancer" and called the bureau a "joke," as the bureau's interim leader last November.

[The Attack on the CFPB Threatens Consumers and Ignites a Race to the Bottom](#) | Roll Call (Rep. Carolyn Maloney)

What he is doing will hurt consumers not once but twice — first, by letting off the hook financial institutions that take advantage of their customers, and second, by giving other companies large incentives to do the same.

[Under Mulvaney's Leadership, the CFPB Can Finally Live Up to Its Name](#) | Roll Call (Rep. Blaine Luetkemeyer)

[Even Mulvaney's Defenders Struggle to Identify His Accomplishments at the CFPB](#) | Coalition for Sensible Safeguards (Jeff Sovern)

[Mulvaney is reforming, not destroying, CFPB](#) | American Banker (Beau Brunson)

[Open season on CFPB rules](#) | Banking Exchange

[Five questions for CFPB nominee to replace Mulvaney](#) | American Banker (Kate Berry)

An immediate question for a new director is whether the agency will continue initiatives launched by Mulvaney, who in just over three months has sought to transform the consumer bureau from the aggressive regulator led by former Director Richard Cordray into a more industry-friendly agency.

Though Republicans only need a simple majority to get a permanent CFPB director confirmed by the Senate, they have virtually no wiggle room because of Sen. John McCain's absence due to medical issues. Republicans may also try to move quickly before Sen. Thad Cochran, R-Miss., leaves on April 1, and any delay could be extended by the slowdown in congressional business as the midterm elections approach.

[Bank regulators vow more flexibility in vetting fintech partnerships](#) | American Banker

Senior leaders at the Federal Reserve, the Office of the Comptroller of the Currency and the Consumer Financial Protection Bureau, who all spoke at a banking conference in Orlando, Fla., said they have been working with examiners to be more understanding of the budding partnerships forming between banks and fintech firms — and how to examine those relationships going forward.

[Payday lender to settle fee-practices probe](#) | American Banker

The payday lender Advance America has agreed to pay \$160,000 to the state of California to settle a probe into its rates on installment loans.

The Spartanburg, S.C., company will refund \$82,000 to borrowers who were overcharged and will pay a \$78,000 fine, according to the California Department of Business Oversight.

The state accused Advance America of improperly adding Department of Motor Vehicle fees to the amount of its installment loans. The practice boosted the loans' total to over \$2,500, allowing the loans to avoid the state's interest rate caps.

['Rent-A-Tribe' Businessman Can't Get Out Of Virginia Usury Suit](#) | Law 360

A Virginia federal judge on Monday refused to toss a suit against a central player in an alleged "rent-a-tribe scheme" involving an online lending company accused of charging illegally high interest rates on loans while shielding itself from suit by a Michigan tribe's sovereign immunity.

[Bipartisan House bill would replace consumer director with panel](#) | Roll Call

A bipartisan group of House members on Wednesday released a bill that would replace the director of the controversial Consumer Financial Protection Bureau (CFPB) with a five-person commission. The bill from Reps. Dennis Ross (R-Fla.), Kyrsten Sinema (D-Ariz.), Ann Wagner (R-Mo.) and David Scott (D-Ga.) would rename the CFPB and replace its director with a bipartisan panel. While the bill would easily pass the House, it would likely be filibustered in the Senate by Democrats who have protested changes to the CFPB.

[U.S. Rep. Dennis Ross Introduces Bipartisan Bill to Restructure the CFPB](#) | ACA News

[Forced arbitration strips consumers of rights](#) | Los Altos Town Crier (Scott Kaufman)

Once you get past the quicker/cheaper arguments, the effect of these pervasive forced arbitration clauses is that they literally strip consumers or employees of their constitutional right to access to the U.S. justice system.

Forced arbitration clauses are often found in contracts for employment, cellphone service, cable TV, credit cards and health care, to name a few. They are so effective that large corporations' and insurance companies' constant cries of "frivolous lawsuits" and "jackpot justice" have died down to a whisper lately. These giants have surgically stolen your collective rights to a fair hearing in court in front of a jury of your peers. The U.S. Supreme Court has repeatedly rubber-stamped the process as well.

ENFORCEMENT

[Wells Fargo faces sanctions for auto insurance payouts](#) | Reuters

U.S. regulators are preparing to sanction Wells Fargo for receiving commissions on auto insurance policies it helped force on more than half a million drivers, people with direct knowledge of the probes told Reuters.

In July, Wells Fargo blamed a third-party vendor for wrongly layering insurance policies on its auto borrowers. Wells Fargo did not explain that it received payouts when those policies were written.

The fact that Wells Fargo stood to profit from the insurance program will form the backbone of

fresh sanctions against the bank, said people with knowledge of the matter who were not authorized to speak publicly.

[Elizabeth Warren Unveils Legislation to Hold Wall Street Executives Criminally Accountable](#) | **Common Dreams**

The Ending Too Big to Jail Act creates a permanent law enforcement unit to investigate crimes at financial institutions, requires senior executives at banks with \$10 billion or more in assets to certify annually that they have conducted due diligence and found no criminal conduct or civil fraud within the financial institution, and mandates judicial oversight of deferred prosecution agreements (DPAs).

The Ending Too Big to Jail Act has been endorsed by the AFL-CIO, Public Citizen, **Americans for Financial Reform**, and Professor Brandon Garrett of the University of Virginia Law School, author of *Too Big to Jail: How Prosecutors Compromise with Corporations*.

[Former Equifax exec charged with insider trading](#) | **Washington Post**

[Warren seeks information from Equifax on insider trading investigation](#) | **PoliticoPro**

[Treasury watchdog probed OCC employee's relationship with Wells Fargo](#) | **PoliticoPro**

EXECUTIVE COMPENSATION

[Companies Are Disclosing How Much Less They Pay Workers Than Executives](#) | **Huffington Post (Arthur Delaney & Dave Jamieson)**

The staffing firm ManpowerGroup paid its chief executive \$11.9 million last year — 2,483 times the average employee's earnings. The firm noted in its disclosure that most of its employees are temps who work only part of the year, making just \$4,828 on average.

ManpowerGroup's ratio is the most lopsided of any disclosed thus far, according to Proxy Insight, a company that tracks SEC disclosures for investors. Excluding firms with no employees, the average ratio among the more than 263 disclosures to date is 77 to 1, with CEO pay averaging \$7.2 million compared to \$93,000 for the typical worker.

[Sloan Raise Shows Wells Fargo Still Lacks Accountability](#) | **Washington Post (Stephen Gandel)**

If Wells Fargo has learned its lesson from the past year and a half, it has an odd way of showing it. Last year was not a good one for the bank. Wells Fargo disclosed that it had forced customers to buy unwanted car insurance, and then it later botched the refund process. The Justice Department opened an investigation into its wealth-management unit. And just last month, the Federal Reserve imposed new limits on Wells Fargo, including on how much it can grow. What's more, its stock rose just 8 percent in 2017, far less than rivals and the market in general.

And yet, on Wednesday evening, the bank disclosed that it had CEO Tim Sloan a 36 percent pay raise for 2017. The raise is the second largest among big bank CEOs for last year,

[Wells Fargo CEO defends pay; calls Senator Warren's criticism 'inappropriate'](#) | Reuters

FEDERAL RESERVE

[New York Fed race down to 'handful' of finalists](#) | PoliticoPro

INVESTOR PROTECTION, THE SEC, AND RETIREMENT SAVINGS

[DOL Fiduciary Rule Struck Down by Appeals Court](#) | ThinkAdvisor

Micah Hauptman, financial services counsel for the Consumer Federation of America, told ThinkAdvisor that the “case was wrongly decided. The industry opponents went forum shopping and finally found a court that was willing to buy in to their bogus arguments. This is a sad day for retirement savers.”

The opinion, Hauptman added, “is extreme by any measure. It strikes at the essence of the DOL’s authority to protect retirement savers under ERISA. It’s not only an attack on the rule, it’s an attack on the agency.”

[Federal court tosses out Obama-era rule requiring financial advisers to act in customers' best interests](#) | The Hill

In a 2-1 ruling, the 5th Circuit Court of Appeals said the fiduciary rule bears the hallmarks of “unreasonableness” and constitutes an arbitrary and capricious exercise of administrative power. The lawsuit stems from a challenge the U.S. Chamber of Commerce and eight other business and financial groups brought against the rule.

[DOL fiduciary rule likely to live on despite appeals court loss](#) | Investment News

[Confusion Abounds After Fifth Circuit Decision Vacates DOL Fiduciary Rule](#) | PlanAdvisor

This latest decision comes nearly a year a Texas district court judge roundly rejected the investment industry advocacy groups’ arguments that the DOL exceeded its authority in crafting the fiduciary rule. Exactly what this latest move spells for the regulation’s future under the Trump administration is yet unclear, especially given that just this week the Tenth Circuit issued an essentially opposite ruling, determining in no uncertain language that DOL’s fiduciary rulemaking process has played out properly and within the confines of the regulator’s broad existing authority. Experts are still grappling with the question of how the conflicting rulings should be interpreted, particularly on the point of whether an appeal to the Supreme Court could occur.

Ropes & Gray tax and benefits partner Josh Lichtenstein warns that the Fifth Circuit’s decision to vacate the DOL’s fiduciary rule in its entirety creates “a new round of uncertainty in the ongoing saga of the rule.”

“The Fifth Circuit is now at odds with multiple other courts that have upheld the rule, including the 10th Circuit,” he tells PLANADVISER.

[Industry reacts to Fifth Circuit ruling](#) | Investment News

[10th Circ. Sides With DOL In Row Over New Fiduciary Rule](#) | Law360

In a unanimous published decision penned by U.S. Circuit Judge Paul Joseph Kelly Jr., the panel agreed with a Kansas federal judge's opinion that the DOL didn't overstep its authority in enacting the rule, which aims to combat conflicts of interest for financial advisers. It rejected Market Synergy Group Inc.'s appeal, which claimed that it wasn't given a proper sense of the DOL's approach during the rule's comment phase.

[Brokers Will Have to Reveal More to Investors Under Coming SEC Rule](#) | Wall St. Journal

The SEC is close to proposing the regulation, its own version of the Labor Department's "fiduciary rule" that required brokers handling retirement accounts to always put their clients' interest ahead of their own financial gain.

[Democrats warn SEC against forced arbitration clauses](#) | Pensions & Investments

The prospect of public companies being allowed to dictate forced arbitration to shareholders prompted 26 Democratic House members to warn SEC Chairman Jay Clayton against considering the idea.

In a letter Monday, Democrats on the House Financial Services Committee said they "strongly oppose any effort to reverse the commission's longstanding position" that forced arbitration clauses violate federal securities law.

Given that history, "and the significant impact such a monumental shift in policy would have on American investors, any examination of this issue should be done in a transparent manner," they wrote.

[Lawmakers Push Back on Potential SEC Mandatory Arb Clauses](#) | ThinkAdvisor

[Divided SEC proposes to roll back mutual fund rules](#) | PoliticoPro

In a 3-2 vote along party lines, the SEC commissioners proposed to halt certain disclosure regulations the agency adopted in 2016. The disclosures, which are scheduled to start in 2019, stemmed in part from the implosion of a fund in December 2015. Amid nervousness about the corporate bond market, one of Third Avenue Asset Management's funds was facing a run and, in a rare action, needed SEC permission to halt investor withdrawals.

The SEC's Democratic commissioners, Kara Stein and Robert Jackson, said fund industry lobbying groups pressured the agency in 2017 to propose the rule changes that were approved on Wednesday. The Investment Company Institute and the Securities Industry and Financial Markets Association, whose members include BlackRock, Charles Schwab and Fidelity, wrote letters to the SEC asking for the rule changes. Third Avenue is an ICI member.

Stein compared the mutual fund disclosures to the ingredient list on a food label. Information about a fund's holdings should be no different, she said.

MORTGAGES AND HOUSING

[How Mortgage Companies Might Finally Be Held Accountable](#) | **The Nation (David Dayen)**

Brad Miller's been tracking his particular white whale for over a decade. But he hadn't found the right harpoon with which to slay it. Until last week.

Miller is a former congressman from North Carolina, who co-authored the legislation creating the Consumer Financial Protection Bureau. Since leaving Congress, he's been working on litigation to finally bring to justice the mortgage companies that damaged millions of lives during the foreclosure crisis. And last week, he filed an innovative lawsuit against Ocwen, one of the nation's largest mortgage-servicing companies.

We know about Ocwen from a series of state and federal enforcement actions. It has paid billions in fines for repeated, routine violations of consumer financial laws. Its computer system "lacks the basic system architecture and design necessary to properly service loans," which is a bad look for a company that primarily services loans. This led to inaccurate monthly statements, an inability to correct simple errors, and illegal foreclosures over payments short as little as a few cents.

[Carson was involved in \\$31,000 furniture purchase, emails show](#) | **PoliticoPro**

STUDENT LOANS AND FOR-PROFIT COLLEGES

[What the Battle Over Student Loan Servicers Means for Borrowers](#) | **Consumer Reports**

Consumer advocates say discouraging states from overseeing student loan servicers would leave borrowers more vulnerable.

"Borrowers may be left with virtually no protections against harmful practices that can push them deeper in debt," says Suzanne Martindale, senior attorney for Consumers Union, the advocacy division of Consumer Reports, who has been representing consumer groups working with the Education Department on higher-education regulations.

Kantrowitz says that the Department of Education's declaration "is more favorable to the loan servicing companies than it is to consumers" and that there needs to be more regulation of servicers at the federal level.

[Education Dept. Wants to Block States' Student-Loan Rules. States Resist.](#) | **Chronicle of Higher Education**

[Betsy DeVos's disastrous interview shows the limitations of being rich](#) | **Washington Post (Helaine Olen)**

The idea that wealth and its companion, business success, in and of themselves bestow on their possessors greater wisdom and insight into all manner of social, political and economic problems is something that has assumed greater and greater prominence in popular culture and political circles, really since the 1980s, when CEOs and Wall Street titans were routinely profiled as all but heroes. Partly as a result, we've seen people such as Mark Cuban, Howard Schultz and Sheryl Sandberg held up as plausible candidates for president based on little more than

their business track record.

This is particularly true in education. Nowhere has deference to billionaires operating far outside their area of expertise been more pronounced than in this field.

[DeVos Gives Away Store, But For-Profit Colleges Want More](#) | Republic Report (David Halperin)

The Department of Education normally requires that rules be developed through a process called negotiated rule-making, where a range of stakeholders sit around a table for long days and weeks, debate issues, and try to forge consensus before the Department drafts a rule.

So you get to see the owning of our government by wealthy interests play out in real time.

That's what's going on right now for two Obama-era rules that Trump education secretary Betsy DeVos, an enthusiastic privatizer and investor in for-profit education programs, is seeking to repeal and replace: the 2016 borrower defense rule, which would give students deceived and abused by their colleges a path to having their federal loans cancelled; and the 2014 gainful employment rule, which would, eventually, cut off taxpayer dollars to high-priced career college programs that consistently leave graduates with more debt than they can afford to repay.

[For Some Defrauded Students, Only Partial Loan Forgiveness](#) | US News

[The 'morally suspect' way the government collects student loans](#) | MarketWatch (Jillian Berman)

[Student loan forgiveness benefit on the chopping block](#) | Military Times (Natalie Gross)

[Betsy DeVos Facilitates For-Profit Colleges' Conversion Therapy](#) | Republic Report

SYSTEMIC RISK

[A Decade After Bear's Collapse, the Seeds of Instability Are Germinating Again](#) | Wall St. Journal

For a quarter-century after World War II, the world was virtually crisis-free. Widespread defaults during the Great Depression and the war left a relatively debt-free path for economic growth, says Harvard University economist Kenneth Rogoff, co-author with Carmen Reinhart of "This Time is Different: Eight Centuries of Financial Folly." Capital controls limited how much money could cross borders, while rules such as interest-rate ceilings limited who could borrow and how much.

By the early 1980s, though, deregulation had allowed capital to flow freely within and across borders and crises became a regular occurrence: the Latin American debt crisis that began in 1982, the U.S. commercial real estate and savings and loan crisis of the 1980s, the Asian and Russian financial crisis of 1997-98, the dot-com bubble of 1998-2000, the U.S. mortgage crisis of 2007-2009 and the European sovereign debt crisis of 2009-2013, interspersed with country-level crises such as in Scandinavia in the early 1990s and Japan throughout that decade...

Total U.S. debt, at around 250% of GDP, still stands at crisis-era peaks while debt levels in China have caught up and passed the U.S., according to the BIS. U.S. companies' debts had reached 34% of assets by the end of 2016, the highest at least since 2000. Debt-servicing burdens haven't risen commensurately thanks to low inflation and low rates, but they have begun climbing.

[Ten Years After the Bear Stearns Bailout, Insiders Don't Think It Would Happen Again](#) | **Wall St. Journal**

The Wall Street Journal spoke with many of the central players that week a decade ago, including then New York Fed President Timothy Geithner and Treasury Secretary Henry Paulson, JPMorgan deal maker Steve Black and Bear's Mr. Schwartz.

Veteran Wall Street lawyer Rodgin Cohen, who helped shape the deal for Bear Stearns, says that if a crippled firm were on the brink today, none of its peers would arrive with a rescue. "Nobody will ever again buy a severely troubled institution," he says. "Period..." Yet the new policies for dealing with such crises are untested.

OTHER TOPICS

[What happens when you can't afford to go bankrupt](#) | **Washington Post (Pro Publica)**

People who hire lawyers to help them file under Chapter 7 have their debts wiped away almost without fail, national filing data shows. And debtors with attorneys fare far better than those who go it alone, filing pro se. Studies show clear benefits for those who successfully wipe out their debts, from higher credit scores to higher incomes. Moreover, this sort of targeted relief can help buoy the broader economy.

Those who can't afford attorneys often turn to bad options with predictably bad outcomes.

[2 major bank trade groups announce merger](#) | **PoliticoPro**

Two major bank trade groups — The Clearing House and the Financial Services Roundtable — announced on that they will merge under a new name.

The new group will be led by The Clearing House President Greg Baer, a former bank official who has helped raise the profile of his trade association as an influential thought-leadership outfit.

TCH and FSR represent many of the same large regional and global systemically important banks, but the former mostly produces detailed research designed to influence regulators. The merger will mean a greater presence on Capitol Hill, as well as the absorption of FSR's political action committee, according to a person familiar with the matter.