

This Week in Wall Street Reform | October 10–16, 2015

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CONSUMER FINANCE & THE CFPB

[Credit scores in America perpetuate racial injustice. Here's how](#)

Sarah Ludwig, The Guardian, 10/13

In response to aggressive marketing by the “big three” multinational credit bureaus – Equifax, Experian and TransUnion – employers, landlords and insurance companies now use credit reports and scores to make decisions that have major bearing on our social and economic opportunities. These days, your credit history can make or break whether you get a job or apartment, or access to decent, affordable insurance and loans. Credit reports and scores are not race neutral. Rather, they embed existing racial inequities in our credit system and economy – to the point that a person’s credit information serves as a proxy for race...

People and communities of color have been [disproportionately targeted](#) for high-cost, predatory loans, intrinsically risky financial products that predictably lead to higher delinquency and default rates than non-predatory loans. As a consequence, black people and Latinos are more likely than their white counterparts to have [damaged credit](#).

[Brown Presses Experian for Answer Following Security Breach of 15 Million Consumers' Personal Data](#)

Office of Sen. Sherrod Brown, 10/14

Brown also called on Experian to explain how the forced arbitration provision in its credit monitoring products will impact consumers. These clauses, often buried in the fine print of checking accounts, private student loans, credit cards, and other contracts, prevent consumers from taking companies to court or participating in class action lawsuits when a dispute arises. The Consumer Financial Protection Bureau (CFPB) issued a study in March that found that the rights of consumers nationwide are being limited by forced arbitration in the financial services industry. Last week, the CFPB announced that it will begin rulemaking to limit forced arbitration clauses.

See [joint letter](#) to CFPB and FTC calling for investigation of Experian data breach.

[Blacks, Latinos targeted in a discriminatory auto loan scheme](#)

Kenneth Lipp, Aldian News, 10/15

Philadelphia City Council and its public advocate want people of color in Philadelphia to be aware they may have been targeted in a discriminatory auto loan scheme. Lance Haver, Director of Civic Engagement, issued an advisory October 13, alerting residents, and especially African Americans and Latinos, that car dealerships offering loans through Fifth Third Bank (Fifth Third Bancorp) charged thousands of minority applicants an average of \$200 more in interest from 2012-2014.

The Equal Credit Opportunity Act prohibits lending discrimination based upon an applicant’s race, color, religion, national origin, sex, marital status, or age, or status as a welfare recipient. Fifth Third offers what are known as indirect auto loans — rather than taking applications directly from consumers at a local branch, it makes most of its auto loans through car dealers. Indirect lenders quote dealers a credit risk-based interest rate called a “buy price,” and allows dealers to make a profit from loans by adding a dealer mark-up to the initial rate.

[Payday Loans Alternatives: How to Avoid a Vicious Debt Cycle](#)

Angela Colley, The Street, 10/12

According to The Pew Charitable Trusts, 12 million Americans use payday loans every year through 20,000 storefronts, hundreds of websites and a growing number of banks that now offer payday-style loans to customers.

And the cost is huge. "Fast cash always comes with a price," says Cary Carbonaro, CFP board advisor and author of the *The Money Queen's Guide* (Morgan James, 2015). For payday lenders that means high interest, and since the loan term is generally set for two weeks, the interest shoots into hyper drive, accumulating at a terrifying pace. After studying more than 12 million storefront payday loans over a 12 month period, the Consumer Financial Protection Bureau found only 15% of borrowers could afford to repay the loan on the first try. On the last sequence of their loan cycle, 80% of borrowers who took an extension owed the same or more as they did originally. It really is hard to kill a payday loan.

[45k payday loans still unpaid after 10 week max, Utah report finds](#)

Natalie Crofts, KSL, 10/13

[Watchdog Files Ethics Complaints Against 11 Members Over Payday-Lender Support](#)

Rachel Roubein, National Journal, 10/6

Campaign for Accountability, a new nonprofit aimed at holding government officials accountable, is asking OCE to investigate contributions members received from the industry shortly before or after they took official actions—such as sponsoring legislation, signing onto a letter supporting payday loans, and more. This request comes after another watchdog group, Allied Progress, issued a 19-page report detailing its allegations that the timing surrounding contributions "raises a serious question of whether they were made as a quid pro quo for official action."

[Ethics complaint against Rep. Kevin Yoder alleges pay-for-play with payday loan industry](#)

Justin Wingerter, Topeka Capital-Journal Online, 10/9

Ethics complaint against Rep. Kevin Yoder alleges pay-for-play with payday loan industry

U.S. Rep. Kevin Yoder (R-Kansas) is facing an ethics complaint by the Campaign for Accountability, which is calling for the Office of Congressional Ethics to investigate links between campaign contributions received by Yoder and his support for legislation that would lighten regulations on the payday lending industry.

[Congressman Kevin Yoder faces ethics complaint for his support of pro-payday loan industry bill](#)

Kansas City Star Online, 10/12

[Ethics complaint alleges Kevin Yoder and Blaine Luetkemeyer are carrying water for the payday lending industry](#)

David Hudnall, PitchClogs, 10/13

[North Carolina should stand firm against payday loan trap](#)

Ellen Harnick, Durham (NC) Herald-Sun (paywalled), 10/10

[45,000 Utahns could not pay off payday loans last year](#)

Lee Davidson, Salt Lake Tribune, 10/11

The payday loan industry insists that the vast majority of its customers can afford the high-interest loans. But last year, 45,655 Utahns — roughly the population of Bountiful — could not pay off those loans in the 10 weeks that they can be extended.

"That's pretty bad," says Rep. Brad Daw, R-Orem, an outspoken critic of such loans. "I think it obviously belies the industry's claims" that its loans are not a "debt trap" where borrowers often take out more loans to pay off earlier ones.

According to the Utah Department of Financial Institutions, tens of thousands of Utahns have been unable to repay payday loans, suggesting high default rates within the state.

[Utah payday loans lead many to debt trap](#)

Editorial, Deseret News, 10/15

More than 45,000 people in Utah who took out payday loans last year were unable to pay them off within the agreed-upon time frame, a stunning number, but one that shouldn't be surprising given two factors. First, payday lenders thrive by luring customers into a cycle of perpetual debt and, second, they can get away with it under Utah's relatively lax regulations.

[Payday lending is out of control](#)

Keelia Moeller, Minnesota Daily, 10/12

The article calls for more stringent restrictions on payday lending within the state of Minnesota, as the state's Supreme Court recently upheld the constitutionality of the payday lending law that sets regulations on the industry.

[Latest Fraudulent Debt Collection Scam Reaches Nebraska](#)

ACA International, 10/12

A debt collection scam in Nebraska has the Nebraska Department of Banking and Finance warning residents of to be wary of debt collection calls. The scam artists claim to be affiliated with Advance America, and call residents about supposed past-due payday loans, threatening arrest if they do not pay.

[Payday lending and the 'debt trap'](#)

Jennifer Napier-Pearce, Salt Lake Tribune, 10/16

[Faith leaders protest 'payday loan' practices in Robbinsdale](#)

Joe Bowen, Minnesota Sun-Post, 10/12

Last week, the inter-faith organization ISIAAH protested against payday lending practices in front of US Bank branch and Payday America in Robbinsdale, Minnesota, calling for a 36% interest rate cap on payday loans and short-term loans that were "fair and accessible".

[Author argues have-nots better served by postal banking](#)

Jay MacDonald, Yahoo Finance, 10/12

In her new book, "How the Other Half Banks: Exclusion, Exploitation, and the Threat to Democracy", Mehrsa Baradaran describes how the U.S. Postal Service could be the key to providing affordable banking services that serve as a better, safer alternative to forms of unregulated lending, such as payday loans.

[The states where people have the best and worst financial habits](#)

Jonnelle Marte, Washington Post, 10/13

[CFPB Payday Plan Will Hurt Those It Seeks to Help](#)

William M. Isaac, American Banker, 10/15

The OCC's 2013 rules [for "advance deposit" loans] imposed strict new underwriting requirements to ensure that the borrower had the ability to repay. The rules limited borrowers to one loan per month, to be repaid within 30 days; imposed a one-month cooling off period between loans; and required a six-month review to determine if the financial situation of the borrower had improved.

The combination of these rules almost guaranteed the product wouldn't solve most borrowers' credit needs, and thus wouldn't generate enough volume to justify the cost to lenders. Unfortunately, I can't help but fear an even worse outcome from the CFPB's proposals:

[State database shows 425K payday loans in two months](#)

Mary Sell, Decatur (AL) Daily, 10/16

Roughly 425,300 loans were taken out in the state of Alabama within the last two months, which amounted to about \$124.4 million, demonstrating a significant problem within the state.

[Protecting us from an agency created to protect us](#)

Merrill Matthews, Sonoran News, 10/14

The CFPB is a regulatory monster, attacking anything that manages money: credit unions, payday lenders, student debt, and more.

[If the U.S. Government Treated Poor People as Well as It Treats Banks](#)

Mehrsa Baradaran, The Atlantic, 10/15

One of the great ironies in modern America is that the less money you have, the more you pay to use it. The country's "unbanked" must pay high fees to fringe banks to turn their paychecks into cash, pay their monthly bills, or send money to a spouse or a child. The unbanked pay much of their income—up to 10 percent—just to use their money. For these families, the total price of simple financial services each month is more than they spend on food. Indeed, it is very expensive to be poor...

There is a solution, though: a central bank for the poor...One way the federal government might do this is through the existing U.S. Postal Service structure. In fact, postal banking was the largest and most successful experiment in financial inclusion in U.S. history and remains the primary tool for financial inclusion across the world. The basic idea of modern postal banking is a public bank offering a wide range of transaction services, including financial transactions, remittance, savings accounts, and small lending. These institutions would remain affordable because of economies of scale and because of the existing postal infrastructure in the U.S. Plus, in the absence of shareholders, they would not be driven to seek profits and could sell services at cost.

[Depoliticizing Elizabeth Warren's Pet Project](#)

Rep. Randy Neugebauer and Rep. Kyrsten Sinema, Wall St. Journal, 10/14

After the 2008 financial crisis, the 2010 Dodd-Frank Act rightly consolidated overlapping and murky regulatory responsibilities into a single, new federal agency—the Consumer Financial Protection Bureau. Unfortunately, while the CFPB was intended to be an independent federal agency free from the polarizing political games that gridlock Washington, its current leadership structure, with a single director, makes it susceptible to those very influences...A commission structure at the CFPB would promote predictability in rule-making by preventing a new director from unilaterally and abruptly reversing the decisions made by a previous director. It would also help to reduce the risk of regulatory capture, as it is easier for special interests to inveigle one person than five.

[AFR fires back on CFPB](#)

Politico Morning Money, 10/16

Americans for Financial Reform on the Sinema/Neugebauer WSJ op-ed in MM on Thursday: "The Consumer Bureau has been making financial markets fairer, safer and more transparent - doing its job, in other words, and proving that its current structure makes sense if your goal is consumer protection. That hasn't stopped some people from cloaking their arguments for a clunkier, financial industry-dominated Commission in pro-consumer, anti-gridlock rhetoric. But it certainly doesn't make that rhetoric plausible."

EXECUTIVE PAY

[CEOs beware: Your astronomical salaries may soon cost you customers](#)

Jeff Guo, Washington Post, 10/15

Surveys show that the perceptions of average Americans are stuck in the past. Most still think the CEO pay ratio at large national corporations is around 30-to-1, when it is really closer to 300-to-1. The misunderstandings will soon fade: In August, the Securities and Exchange Commission ordered companies to begin reporting their CEO pay ratios by 2017.

When that information begins to circulate widely, companies may find themselves running afoul of the old-fashioned norms on Main Street -- and losing customers as a result. Recent evidence from researchers at Harvard Business School suggests that customers punish companies that offer lavish CEO salaries.

HEDGE FUNDS AND PRIVATE EQUITY FUNDS

[52 Groups Press Senate to Close Carried Interest Tax Loophole](#)

ThinkAdvisor, 10/14

More than 50 organizations on Wednesday urged Senate leadership to support Sen. Tammy Baldwin's Carried Interest Fairness Tax Act in the current budget negotiations. Baldwin's bill would close the carried interest loophole exploited by hedge funds—a move backed by Republican presidential candidates Donald Trump and Jeb Bush as well as Democrat Hillary Clinton and Vermont Sen. Bernie Sanders.

In their letter, the 52 groups—which includes left-leaning groups like the AFL-CIO and **Americans for Financial Reform**—state that the Carried Interest Fairness Act, S. 1686, introduced by Baldwin, D-Wis., on June 25, would generate \$15.6 billion over 10 years, according to the Joint Committee on Taxation.

HIGH SPEED TRADING AND FINANCIAL TRANSACTION TAX

[High speed trading becomes US election issue](#)

Phillip Stafford, Financial Times, 10/15

Has a US presidential candidate ever focused on equity market microstructure before?

Hillary Clinton, seeking the Democratic nomination, has announced she wants to impose a tax on high-frequency trading because it has “unnecessarily burdened our markets and enabled unfair and abusive trading strategies that often capitalise on a ‘two-tiered’ market structure with obsolete rules.”

[Solution Without a Problem? A Tax on High-Frequency Trading](#)

Nathaniel Popper, NY Times, 10/13

If there's one thing that the Democratic presidential candidates can agree on, it's that high-frequency traders are a problem. Hillary Rodham Clinton has now followed Bernie Sanders and Martin O'Malley in calling for a tax on the traders who, they complain, use their high-speed computers and expensive data lines to pick the pockets of ordinary investors. [But] most of the investors who are actually facing off against the high-frequency traders — often on behalf of retirement savers — don't see this as anything like the most costly problem they are facing, even in the arcane realm of trading mechanics. The most commonly cited statistics suggest that high-frequency traders are making, at most, a few billion dollars a year in the stock markets. That take has been shrinking steadily in recent years, according to research from the Tabb Group, and is much smaller than what was captured by the old middlemen in the stock markets whom the high-speed traders largely replaced: the bank and brokerage employees on the floor of the [New York Stock Exchange](#).

[Cooperman: SEC Should 'Wake Up' to High-Speed Trading Issues](#)

Saijel Kishan, Bloomberg, 10/13

Leon Cooperman, the founder of hedge fund firm Omega Advisors, said the U.S. Securities and Exchange Commission needs to address market structure problems caused by super-fast computers. “The SEC should wake up and understand there is something wrong in market structure,” he said in a television interview Tuesday on Bloomberg with David Westin and Stephanie Ruhle.

He said retail investors have taken money out of equity funds because they have been scared away by wide price swings caused by traders that buy and sell securities at speeds measured in millionths of a second, a strategy known as high-frequency trading. “The public is scared. I'm a professional and I am scared by volatility,” he said. “It's not healthy for the system and it's raising the cost of capital.”

INVESTOR PROTECTION AND THE SEC

[SEC's Republicans tried to block \\$52 million in corporate penalties last month](#)

Patrick Temple-West, PoliticoPro, 10/13

If the SEC's Republicans had their way in September, they would have spared companies \$52 million in fines, one of the biggest disputed totals for a month in fiscal 2015. Public filings the SEC released last week show the continued partisan

divisions within the agency over how tough it should be on corporate wrongdoing at a time when there's mounting outside political pressure for the SEC to crack down.

Last week, Democratic presidential hopeful Hillary Clinton said the SEC should be allowed to collect bigger penalties to "deter future misconduct." But the SEC's two Republicans are increasingly pushing in the other direction. Their dissents from six corporate penalties included a \$15 million fine to Bankrate Inc. and a \$34.6 million fine to Focus Media, a Hong Kong company. The September documents show the Republicans appear to be dissenting more frequently from corporate penalties.

[House Dems Prod SEC](#)

Adam Sneed, Politico, 10/15

Six House Democrats are also pressing SEC Chair Mary Jo White to release the crowdfunding investment rules. In the letter, dated Oct. 5 but released publicly Wednesday, the lawmakers complain that the delay isn't helping young entrepreneurs. "Many of these young people face unique obstacles to starting companies, such as large amounts of student debt," they write. "We need to do what we can, now, to expand their opportunities, and improve access to capital is one step we can take." [The letter](#), signed by Reps. Eric Swalwell, Derek Kilmer, Seth Moulton, Grace Meng, Ruben Gallego and Patrick Murphy.

[SEC Trims Use of In-House Judges](#)

Jean Eaglesham, Wall St. Journal, 10/11

The Securities and Exchange Commission has quietly pulled back on its use of in-house judges, a practice that brought it criticism and legal challenges. SEC leaders defend the fairness of using agency administrative law judges even for serious, contested cases, in accordance with powers the agency gained through the 2010 Dodd-Frank financial law.

When it uses its own tribunal, the SEC has historically enjoyed a home-court advantage, an analysis by The Wall Street Journal found in May of this year. The analysis showed the agency won against 90% of defendants in contested cases heard by its in-house judges from October 2010 through March 2015, versus 69% success in cases it took to federal court. The analysis helped spur a wave of legal challenges and criticism of the internal tribunal.

[Five Years On: Regulation of Private Fund Advisers after Dodd-Frank](#)

Mary Jo White, speech, 10/16

MORTGAGES & HOUSING

[CFPB Expands HMDA Reporting Requirements](#)

Heather Anderson, CreditUnion Times, 10/16

The CFPB finalized updates to [Home Mortgage Disclosure Act](#) reporting requirements Oct. 15 that increased the transactions required under Regulation C.

New required information included the property value, term of the loan and the duration of any teaser or introductory interest rates. Lenders will also be required to provide more information about mortgage loan underwriting and pricing, such as an applicant's debt-to-income ratio, the interest rate of the loan and the discount points charged for the loan.

[CFPB finalizes new HMDA while Congress mulls ending CFPB structure](#)

Trey Garrison, HousingWire, 10/15

HMDA, which was originally enacted in 1975, requires many lenders to report information about the home loans for which they receive applications or that they originate or purchase. The public and regulators can use the information to monitor whether financial institutions are serving the housing needs of their communities, to assist in distributing public-sector investment so as to attract private investment to areas where it is needed, and to identify possible discriminatory lending patterns.

In 2014, 7,062 financial institutions reported information about approximately 11.9 million mortgage applications, preapprovals, and loans. The final rule issued today is supposed to "improve the quality and type" of HMDA data. The

CFPB also says it is working to reduce the reporting burden for lenders, by streamlining and modernizing the submission of the data. It's all in the 800-plus pages that lenders will have to comb through.

[CFPB Finalizes Rule to Improve Information About Access to Credit in the Mortgage Market](#)

Press Release, CFPB, 10/15

[CFPB's new rule will shine light on mortgage market practices](#)

Ken Essene, CFPB Blog, 10/15

See statements by [AFR](#), [National CAPACD](#) and [National Community Reinvestment Coalition](#)

[NAFCU: Concerned about CFPB's final changes to Home Mortgage Disclosure Act \(HMDA\) reporting requirements](#)

Press Release, National Association of Federal Credit Unions, 10/15

[Will CIT Group meet its promise to invest in underserved L.A. communities?](#)

Editorial Board, LA Times, 10/14

Nearly 40 years ago, Congress enacted the Community Reinvestment Act to encourage commercial banks to lend to low-income and minority customers, who historically had a difficult time getting loans and banking services despite their ability to pay for them. Today the law is still critical in pushing banks to engage with all segments of their community, and to offer capital that can build wealth and revitalize neighborhoods. But as New York-based CIT Group Inc. prepares to acquire Pasadena-based OneWest Bank, some advocates are concerned that federal regulators will approve a community reinvestment plan that falls short of what other banks have pledged to do under the law...

CIT has not yet submitted its revised plan, but some advocates are turning up the heat on the bank and the comptroller's office. The California Reinvestment Coalition, which pushes for equal access to banking services, has warned that CIT's previous proposal shortchanges Los Angeles. The bank had committed to investing \$5 billion over four years in low-income communities, or roughly 5% of its deposits, according to the coalition. That is less than what other banks have committed in recent mergers.

[Sale of Distressed Mortgages to Non-Profits: Good in Theory, Higher Guarantee Fees in Reality](#)

Meghan Milloy, American Action Forum, 10/14

Progressives, including Senator Elizabeth Warren, recently have made the claim that the Department of Housing and Urban Development (HUD), Fannie Mae (Fannie), and Freddie Mac (Freddie) shouldn't be auctioning off their batches of distressed mortgages to private equity groups and hedge funds. Instead, they say, those loans should be sold to non-profit organizations that are focused on keeping the defaulted borrowers in their homes. Certainly, keeping borrowers in their homes is a goal that should be universally supported. However, the problem with Warren's proposition is that it fails to take into account the billions of dollars it would cost taxpayers if HUD, Fannie, and Freddie are forced to sell their batches of loans at extreme discounts to non-profits.

[New rules for lenders seem to be raising costs for mortgage customers](#)

Kenneth Harney, Washington Post, 10/14

It has been barely two weeks since the nationwide changeover in mortgage and settlement procedures took effect, but early results are trickling in: Lenders and brokers say just about everything is taking longer, and the costs to home buyers are moving up.

On Oct. 3, under a directive from the federal Consumer Financial Protection Bureau, lenders, title insurers and settlement agents were required to comply with a new, nearly 1,900-page rule book designed to improve transparency and accuracy in real estate and mortgage transactions for home buyers and refinancers. The regulations impose potentially heavy penalties on lenders that get their cost estimates wrong or fail to deliver accurate disclosures to consumers on prescribed timelines at application and closing.

[FHA finances look rosier ahead of audit](#)

Jon Prior, PoliticoPro, 10/15

An upcoming audit is expected to show the Federal Housing Administration's finances have improved after it cut fees on new mortgages earlier this year and saw a resulting wave of new business, according to housing industry officials and preliminary market data. It's unknown whether the Obama administration will use any good news from this year's actuarial report to provide further discounts and boost the housing market ahead of the 2016 elections. The industry is preparing to lobby for the FHA to do more to make home loans less expensive if the report is as rosy as thought, according to officials. The once-troubled agency is back in the black after requiring a \$1.7 billion taxpayer subsidy two years ago in the wake of the housing meltdown. But Republicans in Congress criticized the Housing and Urban Development Department, which oversees FHA, for the January cut of 50 basis points in mortgage premiums.

[African-Americans Still Shortchanged in Mortgage Market](#)

ThyBlackMan, 10/11

PRESIDENTIAL CAMPAIGN

[Top Five Takeaways from First Democratic Debate](#)

Isaac Boltansky, Compass Point, 10/14

Clinton restated her concern regarding the risks posed by the shadow banking sector which both blunted attacks regarding her opposition to reinstating GlassSteagall and suggested a deeper understanding of the broader financial system. Secretary Clinton invoked the names of AIG and Lehman Brothers before telling the audience: "If you only look at the big banks, you may be missing the forest for the trees..."

Secretary Clinton made a point of explicitly offering her support for the Consumer Financial Protection Bureau (CFPB), in a clear nod to the Warren wing of the party, but she referred to it as a "Board" rather than a "Bureau." While some may have viewed Clinton's use of the word "Board" as an oratory slip suggesting her willingness to change the CFPB's leadership structure from a single director to a commission, our sense is that her statement was nothing more than acronym confusion especially given her stated opposition to legislation altering the CFPB.

[Bernie Sanders: 'Congress Doesn't Regulate Wall Street. Wall Street Regulates Congress.'](#)

Igor Bobic, Huffington Post, 10/13

"Congress doesn't regulate Wall Street. Wall Street regulates Congress," he said to applause. "Saying 'please do the right thing' is kind of naïve."

The senator wants to break up some of the world's biggest financial institutions into smaller entities, because he views them as "too big to fail." Clinton favors more intensive regulations of the banking system but has stopped short of calling for wholesale separation of financial institutions.

[Democrats Clash Over TBTF at First Presidential Debate](#)

Victoria Finkle, American Banker, 10/13

The contenders faced off at the party's first primary debate in Las Vegas, providing the most substantive discussion of banking policy so far this election cycle. Republicans have so far hosted two debates, but the Dodd-Frank Act and Wall Street reform have received little attention by the GOP challengers... Clinton acknowledged that "of course we have to deal with the problem that the banks are still 'too big to fail,'" but she continued to steer clear of explicit efforts to break up the largest financial institutions, a popular call to action for both Sanders and O'Malley.

[Bernie Sanders and Hillary Clinton Tout Wall Street Reform, But Who's Toughest On Big Banks?](#)

Owen Davis, IB Times, 10/14

The two top Democratic batters took big swings at Wall Street during the party's first presidential primary debate Tuesday. Although their rhetoric puts them on the same team, Bernie Sanders and Hillary Clinton are proposing financial reform agendas that show clear philosophical differences. Senator Bernie Sanders, I-Vt., who identifies as a democratic socialist, has centered his Wall Street reform plan around a simple call to break up the nation's big banks --specifically, JPMorgan Chase, Citigroup, Goldman Sachs, Bank of America and Morgan Stanley. Although former Secretary of State

Clinton has not called for breakups, her agenda spans numerous policies Sanders has yet to address, from expanding whistleblower protections to forcing greater disclosures from hedge funds and private equity firms.

Marcus Stanley, executive director of the advocacy group **Americans for Financial Reform**, said the differences are largely conceptual. "Clinton calls for fine-tuning what regulators are doing already and taking them a step further in some cases. The Sanders proposal is more of a change in direction."

[Glass-Steagall: The Debate Term You Should Probably Know](#)

Angel Wallace, Rapid News Network, 10/14

[Fact Check: Did Glass-Steagall Cause The 2008 Financial Crisis?](#)

Jim Zarroli, NPR, 10/14

Some critics, such as Nobel laureate Joseph Stiglitz, have long seen the changes to Glass-Steagall as a major factor in the 2008 crash. By bringing "investment and commercial banks together, the investment bank culture came out on top," Stiglitz wrote in 2009. "There was a demand for the kind of high returns that could be obtained only through high leverage and big risk-taking." But others, like former Treasury Secretary Tim Geithner, have said the focus on Glass-Steagall is misguided. They argue other factors were more important in causing the 2008 crisis, such as bad mortgage underwriting, poor work by the ratings agencies and a securitization market gone crazy. All of that would have happened no matter the size of the big banks.

[Where the Presidential Candidates Stand on Banking Issues](#)

American Banker (paywalled), 10/14

RETIREMENT SECURITY & FIDUCIARY DUTY RULE

[Labor's fiduciary rule won't suffocate industry, Perez says](#)

Patrick Temple-West, PoliticoPro (paywalled), 10/16

The parties fighting over the Labor Department's controversial fiduciary proposal hardened their positions today as the deadline nears for when this rule could be finalized. Returning to the Brookings Institution after defending the proposal here in June, Labor Department Secretary Thomas Perez said that his agency will ameliorate the proposal published in April that has been blasted by financial industry lobbyists as unworkable.

"We want to set parameters and not suffocate the industry," he said in a speech. "We remain flexible on the question of how best to make this proposal work."

Analysts in Washington and on Wall Street have said the final rule could be published as soon as this year, though other observers have said it could be published in the first quarter of 2016. Perez's assurances weren't enough to appease the Securities and Financial Markets Association (SIFMA), which renewed its call for Perez to re-draft the rule.

[Spending Bill Rider May Be Best Way to Stop DOL Rule: Rep. Wagner Aide](#)

ThinkAdvisor, 10/16

The best way to ensure that the Department of Labor's fiduciary rule doesn't see the light of day may be to amend a government spending bill this fall to do just that, according to Erik Rust, senior legislative assistant for financial services affairs to Rep. Ann Wagner, R-Mo.

Wagner, a House Financial Services Committee member, has introduced H.R. 1090, a bill to stop DOL from issuing its fiduciary rulemaking under ERISA, but Rust said that internal Democratic party politics will make passage of that bill—and any veto override—unlikely. However, should Congress make progress this year in writing and passing a broader spending bill, not a Continuing Resolution (CR), to fund the government, President Obama would be loath to veto the spending bill even if it contained a rider that would stop DOL from issuing its controversial rule.

[Democrats Against ObamaSave](#)

Editorial, Wall St. Journal, 10/11

President Obama's plan to reform retirement savings could more than double the cost of investment advice for many savers. That's why Democrats on Capitol Hill are now demanding a rewrite and even Hillary Clinton still hasn't endorsed it. Meanwhile, Mr. Obama is helping state governments compete against the private financial advisers his rule punishes.

[Is Secretary Perez Listening?](#)

Statement, Senate Education and Workforce Committee, 10/15

[Bernie Sanders Endorses Obama's Push to Protect Your Retirement. Where's Hillary?](#)

Patrick Caldwell, Mother Jones, 10/9

STUDENT LOANS & FOR-PROFIT EDUCATION

[For-Profit Colleges Accused of Fraud Still Receive U.S. Funds](#)

Patricia Cohen, NY Times, 10/12

The Education Department, despite a crackdown against what it calls "bad actors," continues to hand over tens of millions of dollars every month to other for-profit schools that have been accused of predatory behavior, substandard practices or illegal activity by its own officials or state attorneys general across the country.

Consider the Education Management Corporation, which runs 110 schools in the United States for chefs, artists and other trades. It has been investigated or sued in recent years by prosecutors in at least 12 states. The Justice Department has accused the company of illegally using incentives to pay its recruiters. And last year, investors filed a class-action lawsuit, contending that the company engaged in deceptive enrollment practices and manipulated federal student loan and grant programs. Education Management nonetheless received more than \$1.25 billion in federal money over the last school year.

[U.S. Government Still Aiming The Cash Faucet at Fraudulent For-Profit Colleges](#)

Chris Thompson, Gawker, 10/12

[Under-Investigation Educators Still Received \\$8.1B In Federal Funds Last Year](#)

Ashlee Kieler, Consumerist, 10/13

[New signs of trouble for student loan borrowers](#)

Seth Frotman, Consumer Financial Protection Bureau, 10/14

We are particularly concerned about repayment problems facing those with older federal student loans that were made by banks and other private lenders. We found that servicing issues may make repaying student debt even harder for this group of borrowers, in particular... Today's report found that federal student loans made by private lenders may have a greater rate of borrowers in default and delinquency than the broader student loan market. This raises concerns about whether distressed borrowers with these loans are getting adequate information on repayment options from their servicers.

[For-profit colleges face more Defense Department scrutiny](#)

Max Brunswick, Star Tribune, 10/12

The Pentagon has placed restrictions on the University of Phoenix's recruiting of new students from the armed forces as authorities investigate whether the school violated restrictions on marketing itself on military bases. The move is the latest blow to the for-profit college industry.

Last year, Minnesota-based Globe University and the Minnesota College of Business were placed on similar probation. The schools' 11 campuses remain the only educational institutions in the state on the Department of Defense's probation list, meaning they can no longer accept certain federal military educational benefits.

[Examine the performance of for-profit universities](#)

Dale Stein, Arizona Daily Star, 10/12

Arizona has become a center of activity for the for-profit educational sector...All these for-profit colleges and universities have similar business models. They spend more on recruiting students than on instruction, they pay their senior administrators very well, they make good profits (at least in their early stages) for investors, they pay their instructional staff poorly and they derive about 85 percent of their income from federal loans and grants.

[Administration expands financial aid for low-income students](#)

Lydia Wheeler, The Hill, 10/14

[Pipe-dream scams from America's for-profit colleges](#)

Editorial, Los Angeles Daily News, 10/15

[Another type of for-profit company can now access federal student loans](#)

MarketWatch, 10/15

Companies that offer coding "boot camps," create platforms for students to access massively open online courses, or MOOCs, and provide other short-term certificate programs could be eligible to receive federal financial aid funding under [a pilot program announced Wednesday](#).

SYSTEMIC RISK

[Why General Electric Is Unwinding Its Finance Arm](#)

Ted Mann & Joann S. Lublin, Wall St. Journal, 10/13

[T]hanks to decades of light federal regulation and cheap capital due to the parent company's sterling credit, executives of GE Capital had fanned out to compete with big banks for investments around the world. Grabbing assets as diverse as a Japanese bank and a Brazilian drill ship, they created a global empire that provided half of [General Electric Co.'s](#) profit—all overseen by a U.S. regulator of savings and loans.

Now it is GE Capital that is getting blown up... The dismantling of GE Capital shows the impact Washington's toughened postcrisis approach to banking is having on the formerly freewheeling world of finance. GE Capital made loans funded by debt, including money borrowed via the short-term IOUs known as commercial paper. After that market froze in the financial crisis, the government stepped in with a rescue but resolved not to see a repeat of such a mess.

[J.P. Morgan Is Getting Smaller](#)

Emily Glazer and Peter Rudegair, Wall St. Journal, 10/13

The bank is trying to become smaller because [the Federal Reserve is preparing to apply new capital surcharges](#) that will be more costly to a bank the larger and more complex it is. On Tuesday, J.P. Morgan executives said they think they have made enough moves to reduce its surcharge to 4% from 4.5%.

"It's reassuring to see J.P. Morgan make progress" in getting smaller and simpler, said Steven Chubak, an analyst with Nomura Holdings Inc. He estimates the changes could help J.P. Morgan increase its dividend or share-buyback program by billions of dollars a year.

[Research sheds new light on the Great Recession](#)

University of Houston, 10/13

It's no secret that a housing bubble kicked off the financial crisis that began in 2007, rippling through institutions caught holding subprime mortgages. But a fresh look suggests much of the lingering damage was caused by the forced sale of corporate bonds at below-market prices, starting a chain reaction that cascaded through the supply chain. "Spreading the Fire: Investment and Product Market Effects of Corporate Bond Fire Sales," by University of Houston finance professor Praveen Kumar and Hadiye Aslan, assistant professor of finance at Georgia State University, was presented at the American Finance Association Conference...

Americans for Financial Reform (AFR), a nonpartisan coalition formed after the financial crisis, cited the paper in its comments on proposed regulations of asset management activities. The study, AFR wrote, "provides powerful evidence

that bond fire sales by mutual funds during the financial crisis created direct economic harm to real economy companies, reducing investment and profitability over a period of years."

[Structural Reform Beyond Glass-Steagall](#)

Mike Konczal, Next New Deal, 10/13

My opinion is that reinstating GS isn't an important goal for financial reform. I don't think the story it tells is the one we want to tell, and the reforms it would bring aren't particularly effective. I think in terms of structural changes, there are better aspirational objectives for the debate to focus on and better options for achieving those objectives. In particular, breaking up the banks through higher capital requirements would meet the same goals while building on the work that has been done—work that is already showing significant success and could use more of a spotlight.

OTHER TOPICS

[Ten Years On, Bankruptcy Reform Proves a Bipartisan Triumph](#)

Joseph Rubin, American Banker, 10/16

Since the law's enactment, bankruptcy filings have run counter-cyclical to the economy, as one would expect: when the economy goes down, bankruptcy filings go up, but when it improves, filings drop. Prior to the reform's passage, bankruptcy filings rose whether the economy was in a recession or booming, in large part because it was so easy to file and because the bankruptcy code enabled wealthy filers to "game" the system and retain significant assets.

The reform has also returned bankruptcy to its roots as a last resort for consumers, particularly wealthy consumers, as it was intended. In fact, one study specifically found that the law has forced higher income individuals "to try to work out their difficulties" outside of bankruptcy, preserving bankruptcy for those consumers who need it and removing it as a financial planning tool of convenience.