

AMERICANS FOR FINANCIAL REFORM

This Week in Wall Street Reform | June 27–July 3, 2015

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CONSUMER FINANCE & THE CFPB

[CFPB Nears Landmark Victory against Three Large Auto Lenders](#)

Rachel Witkowski, *American Banker*, 6/30

Three of the nation's largest indirect auto lenders are poised to limit discretionary pricing for dealers after regulators accused them of allowing partners to mark up loans at higher rates to minorities, according to confidential documents. In proposed consent orders obtained by American Banker, the Consumer Financial Protection Bureau is planning to cite American Honda Finance Corp., Toyota Motor Credit Corp. and Nissan Motor Acceptance Corp. beginning as early as July for unintentional discrimination.

If approved and signed, the orders would require all three firms to pay renumeration to affected consumers, but could forgo civil money penalties in return for changing how much flexibility they give dealer partners to mark up the cost of an auto loan.

[After 18 months, CFPB readies to reimburse Ally customers](#)

Hannah Lutz, *Automotive News*, 7/1

[Consumer Financial Protection Bureau Sues Auto Lender to Military](#)

Jim Henry, *Forbes*, 6/30

In its [complaint](#) earlier this month, the CFPB said if customers defaulted, SNAAC allegedly threatened to contact their chain of command, and allegedly exaggerated the military disciplinary actions that could be taken.

The "adverse career consequences" the lender is accused of threatening included "demotion, loss of promotion, discharge, denial of re-enlistment, loss of security clearance, or reassignment," according to the CFPB.

[Outlawed by the States, Payday Lenders Take Refuge on Reservations](#)

Ben Walsh, *Huffington Post*, 6/30

[CFPB Asks For Comments on Enhanced Consumer Complaint Database](#)

Brian Honea, *DSNews*, 7/1

[In a First, CFPB Targets Source of Add-Ons It Finds Dubious](#)

Rachel Witkowski, *American Banker*, 7/1

The Consumer Financial Protection Bureau is ordering two vendors that sell credit card add-on products to pay nearly \$10 million in combined fines and restitution for allegedly charging consumers for services never rendered.

See CFPB [press release](#).

[Senator seeks GAO investigation of CFPB payday loan rulemaking](#)

Barbara Mishkin, CFPB Monitor, 6/29

In a [letter](#) to the Government Accountability Office (GAO), Senator David Vitter questioned “the adequacy and thoroughness of the CFPB’s analysis of small entity impacts” in connection with its payday lending rulemaking process and asked the GAO to conduct an investigation and issue a report on its findings. Senator Vitter chairs the Senate Committee on Small Business and Entrepreneurship.

[You Can Now Read Other People’s Banking Horror Stories](#)

Blog, Medium, 6/29

[CFPB Publishes More Than 7,700 Detailed Financial Grievances to Public-Facing Database](#)

Ashlee Kieler, Consumerist, 6/25

[When a Company Is Put Up for Sale, in Many Cases, Your Personal Data Is, Too](#)

Natasha Singer and Jeremy Merrill, New York Times, 6/28

[Debt Collection Communications: Protecting Consumers in the Digital Age](#)

Press Release, National Consumer Law Center, 6/30

[Balancing Caveat Emptor: Why the Consumer Financial Protection Bureau is Good for America, its Consumers, and the Providers of Financial Services](#)

Mitria Wilson, Mortgage Compliance Magazine, 7/1

“[T]he creation of the CFPB is likely the most positive and enduring accomplishment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. An honest reflection on its efforts so far suggests that this independent agency has embodied its mandate – protecting [financial consumers], while benefiting both financial service providers and the financial marketplace as a whole...”

[Is CFPB doing any good?](#)

Lucy Griffin, Banking Exchange, 7/2

[Going Rogue: CFPB could be the most predatory agency you've never heard of](#)

Editorial, Augusta Chronicle, 7/4

[Billions of Dollars Recovered For Utahns and Others Across The Nation](#)

Utah Public Radio, 7/1

[Federal Reserve Governor Calls for Banks to Choose Optimal Security](#)

Thadeus Geodfrey, Payment Week, 6/30

“Federal Reserve Governor Jerome Powell has voiced his concern over the ongoing overhaul of credit and debit card technology. He believes that America should catch up with the rest of the world and use chip and pin technology, rather than the half measure of chip and signature technology that is the upcoming offering.”

DERIVATIVES, COMMODITIES & THE CFTC

[Ranks of commodities brokers dwindle as U.S. futures industry evolves](#)

John McCrank, Reuters, 7/2

[Margin requirements for uncleared derivatives — implementation update](#)

Fabien Carruzzo, Lexology, 7/1

[CFTC Proposes Narrowing Wall Street's Foreign Swaps Loophole](#)

Silla Brush, Bloomberg, 6/29

“Plugging the de-guaranteeing loophole for margin alone is a significant step but it doesn't take us all the way there,’ Marcus Stanley, policy director for **Americans for Financial Reform**, said in an interview before the proposal was released. ‘It's somewhere between a quarter and a half step.’”

DODD-FRANK AND CONGRESSIONAL ATTACKS

[Why the Battle Over Dodd-Frank Will Never End](#)

Victoria Finkle, American Banker, 7/1

With each passing year, industry observers have predicted that by the next anniversary, lawmakers will be open to making significant changes to Dodd-Frank. They note that [nearly half](#) of the lawmakers who voted for Dodd-Frank have now departed, theoretically making it easier for their successors to support alterations.

And yet defense of Dodd-Frank has become a key litmus test among Democrats, just as revamping it has become one for Republicans. Although the majority of the GOP has moved away from calling for an outright appeal, Democrats are bolstering their guard, fearing death by a thousand cuts for the law if they permit individual changes.

[Dodd-Frank reform bill would loosen regulatory burdens on some insurers](#)

Daniel A. Rabinowitz, Lexology, 7/1

[Dodd-Frank Turns Five – A Reason to Celebrate?](#)

Levi Orbach, Equities.com, 6/30

ENFORCEMENT

[Deloitte to pay \\$1 mln to resolve SEC auditor independence rule charges](#)

Sarah Lynch, Reuters, 7/1

[Greenwich hedge fund to pay \\$5 million SEC fine, close office to settle fraud charge](#)

Kaitlyn Krasselt, GreenwichTime, 7/1

EXECUTIVE COMPENSATION

[When CEOs Are Accidentally Overpaid](#)

Noah Smith, Bloomberg, 7/2

In 2011, Shue found that having the right friends [matters a lot](#) for executive pay. She looked at MBA graduates of Harvard Business School who were randomly assigned to different class sections. The class section assignments naturally created human networks -- people know the people they went to school with. She then looked at HBS graduates who became executives later on, and found something startling. The difference in pay between different sections was larger than the difference within different sections.

Remember that these sections were randomly created. So Shue's finding means that human networks were a very important determinant of pay levels. She also found that when one executive's industry experienced a boom, the compensation of that executive's former HBS section-mates in totally unrelated industries would go up as well. In other words, Shue found that when it comes to executive pay, it's often who you know, rather than what you do, that determines how much you earn.

[SEC Proposes Broadened Corporate 'Clawback' Rules](#)

Andrew Ackerman, Wall Street Journal, 7/1

“Executive officers should not be permitted to retain incentive-based compensation that they should not have received in the first instance,’ SEC Chairman Mary Jo White said before Wednesday's vote.

[SEC Announces Open Meeting on Proposed Clawback Requirements under Dodd-Frank Act](#)

Joshua Miller and Andrea Rattner, JDSupra, 6/29

“Almost five years following the enactment of the Dodd Frank Act, the rules enacting the incentive compensation clawback provisions under Dodd Frank Act Section 954 have not even been proposed.”

[Wall Street Pay, Performance and Proxy Votes](#)

Blog, As You Sow, 7/1

Charles Skorina, who runs an executive search firm for investment professionals, recently issued a fascinating [report](#) recently entitled: “Wall Street Pay and CEO Performance: Who Got Their Money’s Worth.” The report looked at CEO pay at money management firms, and then went a step further. Skorina created a Pay-to-Performance ratio by taking 2014 CEO compensation and dividing it by annualized total shareholder return for 2010-2014, and then ranked the companies...

We asked the ever-amazing Jackie Cooke at [Fund Votes](#) to crunch some number for us. The result did not surprise us: the firms with the best pay performance linkage themselves voted more frequently against pay packages at other companies. Those with the worst pay performance link – those companies that themselves have executives paid higher than merited by their performance — were more likely to approve pay packages at other firms.

[Making Executive Compensation More Accountable](#)

Luis A. Aguilar, Harvard Law School Forum on Corporate Governance & Financial Regulation, 7/1

[SEC Democrats push data analysis tool in executive pay rule](#)

Patrick Temple-West, Politico, 7/1

FEDERAL RESERVE

[What these workers want to tell the Federal Reserve](#)

Ylan Q. Mui, Washington Post, 6/29

“Or, rather, two blocks away to Liberty Street, home to the Federal Reserve Bank of New York. The campaign, known as “Fed Up,” has called on the nation’s central bank to leave its target interest rate at zero until the economy is stronger. Its members include activists, community groups and faith organizations, and they say the New York Fed has ignored their requests for a meeting with bank President William Dudley. On Tuesday, they plan to protest outside his offices.”

FINANCIAL TRANSACTION TAX

[Financial Transaction Taxes in Theory and Practice](#)

Report, Tax Policy Center, 6/30

[The Significance of the Tax Policy Center's Report on Financial Transactions](#)

Dean Baker, CEPR Blog, 7/2

First, the report argues that a FTT is clearly feasible based on the existence of a large number of FTTs in countries around the world and the likelihood that one will be instituted in the euro zone in the near future. Second, the report finds that a scaled tax, similar to the one being debated in the euro zone, with a rate of 0.1 percent on stock trades, would raise over \$50 billion a year in additional revenue and more than \$540 billion over the next decade. Third, it shows the tax to be highly progressive, with the top quintile paying 75 percent of the tax and the richest one percent paying over 40 percent of the tax.

INVESTOR PROTECTION & THE SEC

[Who is watching the financial advisory industry?](#)

Andrew Osterland, CNBC, 6/30

The average firm is examined once every 10 years, and about 40 percent of firms nationwide have never been examined, according to various industry data. The lack of oversight of investment advisors is a major problem for the

industry and the investors it serves, suggested Barbara Roper, director of investor protection at the Consumer Federation of America.

"If you create a regulatory environment without enough ongoing oversight, you invite bad actors into the space," said Roper, who supports a uniform fiduciary standard for all financial advisors as well as increased funding for SEC examinations of investment advisors.

[KKR's Investors Paid for a Lot of Wasted Flights](#)

Matt Levine, Bloomberg, 6/29

[SEC Charges KKR with Misallocating Broken Deal Expenses](#)

Press Release, Securities and Exchange Commission, 6/29

MORTGAGES & HOUSING

[Civil Rights Group Calls for Recapitalizing GSEs](#)

Brian Collins, National Mortgage News, 7/2

The Leadership Conference on Civil and Human Rights floated a proposal in June that would recapitalize Fannie Mae and Freddie Mac as well as provide permanent financing for the affordable housing trust fund.

The plan calls on the Treasury Department to negotiate a settlement with Fannie and Freddie shareholders who claim they were harmed by the government's takeover of the two government-sponsored enterprises and the sweep of all the GSEs' profits into U.S. coffers.

[Citi fails foreclosure test from settlement monitor](#)

Jon Prior, Politico, 6/30

[Report: Banks are meeting mortgage service rules; jury still out on Ocwen](#)

E. Scott Reckard, Los Angeles Times, 6/30

[FDIC revises examination procedures to incorporate TILA/RESPA integrated disclosures](#)

Richard J. Andreano Jr., CFPB Monitor, 7/1

[Widow's Reverse Mortgage 'Nightmare' Underscores Lifeline's Risks](#)

Martha C. White, NBC News, 7/2

POLITICAL INFLUENCE OF WALL STREET & REVOLVING DOOR

[Wall Street and the Greek Financial Crisis](#)

Interview with Bill Black and Michael Hudson, CounterPunch, 7/1

[Richard Fisher, The Federal Reserve's Wall Street Critic, Joins Barclays](#)

Antoine Gara, Forbes, 6/29

"Richard Fisher, former President of the Federal Reserve Bank of Dallas, is joining Barclays as a senior advisor to provide insight into regulatory issues, markets, monetary policy and global trade. Barclays is a curious choice for Fisher, who was known inside the Fed as a strong advocate for small and regional banks that continue to struggle years after Wall Street recovered from the bursting of the credit bubble."

STUDENT LOANS & FOR-PROFIT EDUCATION

[Rules holding for-profit schools accountable for student earnings go into effect](#)

The Associated Press, 7/2

Graduates have to be able to earn enough money to repay student loans or a school risks losing access to financial aid. In general, annual loan payments shouldn't exceed 20 percent of a graduate's discretionary income or 8 percent of total earnings.

It's a modest step, consumer advocates say, that probably will succeed in shutting down the most obviously fraudulent programs, often criminal justice and medical training programs that can cost as much as \$75,000 but aren't sought after by employers.

[Barack Obama pushes for-profit colleges to the brink](#)

Allie Grasgreen, Politico, 7/1

On Wednesday, the Obama administration will begin choking off the financial lifeline of for-profit colleges whose graduates can't find well-paying jobs — and the move is likely to accelerate a wave of shutdowns for an industry taking assaults from all sides.

Reining in the multibillion-dollar industry has been the administration's goal for most of President Barack Obama's term in office, fueled by complaints that for-profit colleges lure students with misleading promises, then saddle them with debts they can't pay back despite their newly granted degrees. Its latest tool is the Education Department's long-debated "gainful employment" rule, which requires colleges to track their graduates' performance in the workforce and eventually will cut off funding for career training programs that fall short. The rule — upheld by a court ruling last week and set to take effect Wednesday — will trigger the closure of 1,400 programs that together enroll 840,000 students, the department has estimated. Ninety-nine percent of those students attend for-profits.

[For-Profit Group Will Appeal Decision Upholding Gainful-Employment Rule](#)

Andy Thomason, Chronicle of Higher Education, 7/2

[For-Profit Colleges: Gainful Employment Rule Takes Effect, Sparking Change For Schools And Students](#)

Julia Glum, International Business Times, 7/1

[Increased Focus on Student Loan Crisis Needed](#)

Stephen Dash, Roll Call, 7/2

[Regulators have their eye on online scams promising student loan debt relief](#)

Steve Rosen, Kansas City Star, 7/2

[Hold Shady Colleges Accountable](#)

Arne Duncan, Politico, 7/1

It's time to ask: When career colleges defraud their students, who pays the price? Right now, the answer is simple: students and taxpayers. It's time for that to change — but it won't if Congress keeps blocking reform.

The question gained new urgency recently after the Department of Education announced a plan to relieve debt for thousands of students at Corinthian Colleges who were the victims of false advertising. At Corinthian, salespeople offered students a promise of a better future that had little connection to reality. Students — often those who were already struggling most to get by — ended up with no job prospects and deep in debt. Call it the ethics of payday lending, but with federal college loans.

[Why the gov't let many trade schools become diploma mills](#)

Anne Flaherty, Associated Press, 7/1

[University of Phoenix sidesteps Obama order on recruiting veterans](#)

Aaron Glantz, Reveal News, 6/30

[You'll Never Guess the Latest Victims of the Student Loan Crisis](#)

Michaela Ross, Time, 6/30

['Dollar Signs in Uniform': Why For-Profit Colleges Target Veterans](#)

Alia Wong, The Atlantic, 6/24

SYSTEMIC RISK

[Fed Calculates Liability Concentration Limit](#)

Blog, ABA Banking Journal, 7/1

“The Federal Reserve today announced that aggregate financial sector liabilities amounted to approximately \$21.63 trillion, meaning that — under Section 622 of the Dodd-Frank Act, which prohibits the combination of financial companies if the resulting company’s liabilities account for more than 10 percent of the aggregate consolidated liabilities of all financial firms — financial companies cannot combine unless their aggregate liabilities amount to less than \$2.16 trillion.”

[OCC Report Discusses Risks Facing National Banks and Federal Savings Associations](#)

Press Release, Office of the Comptroller of the Currency, 6/30

[Bill Gross: Here's what could trigger a 'run on the shadow banks'](#)

Jeff Cox, CNBC, 6/30

[Liquidity – a double-edged sword](#)

Greg Ford, Finance Watch, 6/26

“Some financial industry lobbyists are using this liquidity concern to push for easier rules on bank trading and asking for proposals to restructure megabanks to be dropped, for example. As a number of large banks have seen their ‘FICC’ (fixed income, currencies & commodities) trading revenues decline nearly every quarter for five years (FT), a regulatory backtrack would be appealing for them.”

OTHER TOPICS

[Is Bernie Sanders Too Radical for America?](#)

Peter Dreier, American Prospect, 6/30

Fifty-eight percent of Americans [said](#) they would support breaking up “big banks like Citigroup,” a key plank of Sanders’ platform and the goal of a bill that Sanders sponsored in the Senate. Seventy-three percent of Americans [favor](#) tougher rules for Wall Street financial companies, versus 17 percent who oppose stronger regulation.

[When all else fails to stop White House proposals, Republicans turn to the budget](#)

Lydia DePillis, Washington Post, 6/26

Legislation-by-appropriation is hardly uncommon when the legislative and executive branches are held by opposing parties. But it's especially rampant in this year's budget. The GOP-controlled House and Senate have [included provisions](#) blocking new environmental regulations, family planning services, and a [rule obligating financial advisors to put retirees' interests first](#).

[World Bank warns China to reform 'distorted' financial system](#)

Tom Mitchell and Patrick McGee, Financial Times, 7/1

[Wyden introduces bill targeting hedge fund tax dodge](#)

Brian Faler, Politico, 6/26