

This Week in Wall Street Reform | Feb. 27 – Mar. 4, 2016

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CONSUMER FINANCE & THE CFPB

[DNC Chair Joins GOP Attack on Elizabeth Warren's Agency](#)

Zach Carter, *Huffington Post*, 3/1

Wasserman Schultz is co-sponsoring [a new bill](#) that would gut the CFPB's forthcoming payday loan regulations. She's also attempting to gin up Democratic support for the legislation on Capitol Hill, according to a memo obtained by The Huffington Post... The misleadingly titled Consumer Protection and Choice Act would delay the CFPB's payday lending rules by two years, and nullify its rules in any state with a payday lending law like the one adopted in Florida. The memo being passed around by Wasserman Schultz staffers describes the Florida state law as a "model" for consumer laws on payday loans, and says the CFPB should "adjust their payday lending rules to take into account actions Florida has already taken."

Consumer groups are appalled by the bill. The Consumer Federation of America, the NAACP, The National Consumer Law Center, The National Council of La Raza, The Southern Poverty Law Center and hundreds of others wrote a letter to every member of Congress in December urging them to oppose the legislation. "The problem here is that Florida's law is a sham," says Gynnie Robnett, director of the Campaign to Stop the Debt Trap at **Americans for Financial Reform**. "It was backed by the industry."

[Wasserman Schultz backs bill to delay payday loan rules](#)

Sylvan Lane, *The Hill*, 3/1

Rep. Debbie Wasserman Schultz (D-Fla.) is co-sponsoring the Consumer Protection and Choice Act, which would delay for two years pending rules from the Consumer Financial Protection Bureau (CFPB) meant to crack down on abusive payday lending. She has started rallying Democratic support behind the bill, according to the Huffington Post.

[DNC Chair Debbie Wasserman Schultz joins hands with GOP in assault on Elizabeth Warren's consumer protection agency](#)

Ben Norton, *Salon*, 3/1

[Lawmakers should try fund-raising by payday loan terms](#)

Frank Cerabino, *Palm Beach Post*, 3/2

Now, you might imagine that Democrats, who fancy themselves at the champions of the little guy, would be firmly behind these measures proposed by the consumer protection bureau. But you'd be wrong. They're joining many Republicans in trying to kill the consumer protections by proposing a bill that establishes the same ineffective rules Florida had enacted 15 years ago, and forbidding the Consumer Financial Protection Bureau to enact any new payday lending reform for the next two years.

Call me cynical, but I have a theory why this is happening. For the last election cycle, three of the top 50 recipients in the country of campaign donations from the payday lending industry has been Democrats U.S. Rep. Patrick Murphy (\$39,500), U.S. Rep. Alcee Hastings (\$35,000) and U.S. Rep. Debbie Wasserman-Schultz (\$31,250), according to **Americans for Financial Reform**, a coalition of 200 consumer, labor and special interest groups.

[State needs stronger payday lending rules](#)

Anna Breen, Letter to the Editor, IndyStar, 2/26

Our attorney general should support rules from the Consumer Financial Protection Bureau that would limit payday lenders to the same lending standards we should expect from all financial institutions. These rules would require lenders to check a borrower's ability to repay before making a loan, and prevent lenders from accessing consumer bank accounts without notification. Zoeller had supported even stiffer federal rules to protect military service members. Why does he insist on federal inaction when lenders prey on the rest of us?

[Truth in Payday Lending: A Veteran's Story](#)

NCLR Blog, 3/2

It was only supposed to be a two-week loan, and he only borrowed \$200. The Marine veteran has yet to pay back that initial loan and has been forced to renew it four or five times, though he's unsure of the exact number.

"I've probably paid between \$1,500 and \$2,500 in fees," said Joe. He's not paying just one company, either. Often, borrowers will take out loans from one lender to pay back another. In Joe's case, he's had to borrow from three lenders: Moneytree, Alpine Loan Spokane, and ACE Cash Express.

[Overdraft Practices Continue to Gut Bank Accounts and Haunt Customers](#)

Michael Corkery & Jessica Silver-Greenberg, NY Times, 2/28

Angelina Lemus was puzzled. She had no idea why every month as much as \$96 was disappearing from her Citibank checking account. Months later, Ms. Lemus finally figured out the mystery — or at least part of it. Citibank was taking out the money to pay a loan, with an interest rate of 18 percent, that was devised to cover the shortfall every time Ms. Lemus overdraw her checking account.

The problem was that Ms. Lemus, a home health care worker from Queens, said she never signed up for the line of credit and was unaware that she was borrowing from it every time her account dipped below zero. In all, Ms. Lemus had amassed \$3,400 in debt — a tangle of interest, principal and other fees that have damaged her credit. Ms. Lemus is one of millions of Americans tripped up by overdraft practices, a murky corner of consumer banking that, despite a lot of hand-wringing in Washington, costly litigation and customer rancor, remains largely untouched by financial regulation.

[The RushCard Fiasco Exposed The Danger Of Unregulated Banking](#)

Bryce Covert, ThinkProgress, 3/2

On Tuesday, the Consumer Financial Protection Bureau — which is investigating what happened — released a report offering some evidence about how many consumers struggled under the RushCard outage. CFPB's latest monthly complaint report looked at complaints sent to the agency between November and January, with a particular focus on prepaid debit cards. It found a 62 percent increase in complaints about these products compared to the same time period a year before, with a total of 238 complaints. That comes on top of the previous complaint report, which found a staggering 233 percent uptick in complaints about prepaid products between October and December, or 459 total. As a press release from the CFPB notes, "The report shows that consumer complaints about prepaid products spiked in recent months as an increased number of customers complained of being frozen out of their accounts."

[CFPB Fines Fintech Firm Dwolla Over Data-Security Practices](#)

Yuka Hayashi, Wall St. Journal, 3/2

The Consumer Financial Protection Bureau put companies in the fast-growing online-payment sector on notice with an enforcement action against a financial-technology startup for allegedly misrepresenting how it protected customers' data.

[Debt burden growing for those 60 or older](#)

Encarnacion Pyle, Columbus Dispatch, 2/26

DERIVATIVES, COMMODITIES AND THE CFTC

[Obama nominates pair to join CFTC](#)

Peter Schroeder, The Hill, 3/3

The White House announced that the president would tap Brian Quintenz, a Republican, and Chris Brummer, a Democrat, to join the financial regulator. Quintenz is a former Capitol Hill staffer who also has extensive experience with hedge funds. He is currently the founder and head of Saeculum Capital Management, an investment firm he created in 2013...Brummer is a law professor and faculty director at Georgetown University's Institute of International Economic Law. Brummer previously was on the academic faculty at Vanderbilt University Law School and also was an academic fellow at the Securities and Exchange Commission. In 2015, Brummer wrapped up a three-year term on the National Adjudicatory Council of the Financial Industry Regulatory Authority, an industry-run regulator.

DODD-FRANK (AND CONTINUED ATTACKS)

[Reg Relief Bill Clears House Panel, But Rough Road Ahead](#)

Ian McKendry, American Banker (paywalled), 3/2

The Taking Account of Institutions with Low Operation Risk, or TAILOR Act, would force regulators to assess whether a regulation or guidance is suitable for an institution based on its business model. It is promoted by Republicans as a fairly innocuous bill that would provide regulatory relief to thousands of small institutions, but Democrats said it was an attempt to roll back the Dodd-Frank Act.

"The TAILOR Act, I believe, is a bold attack on the Dodd-Frank financial reform law," Rep. Maxine Waters, the top Democrat on the panel, said during debate on Wednesday. "This bill would allow every bank and financial institution overseen by agencies like the Federal Deposit Insurance Corp. or the Consumer Financial Protection Bureau to challenge rulemakings in court if they felt a regulation was not uniquely tailored to their business needs."

See [joint letter](#) opposing TAILOR Act.

THE ELECTION AND WALL STREET

[Wall Street readies big Trump assault](#)

Ben White, Politico, 3/2

Wall Street is getting ready to go nuclear on Donald Trump. Terrified that the reality TV star could run away with the Republican nomination and bring his brand of anti-immigrant, protectionist populism to the White House, some top financiers are writing big checks to fund an effort to deny Trump a majority of delegates to the GOP convention.

The effort is centered on the recently formed Our Principles PAC, the latest big-money group airing anti-Trump ads, which is run by GOP strategist Katie Packer, deputy campaign manager for Mitt Romney in 2012. The group, initially funded by \$3 million from Marlene Ricketts, wife of billionaire T.D. Ameritrade founder Joe Ricketts, wants to saturate the expensive Florida airwaves ahead of the state's March 15 primary with hopes of denying Trump a victory that could crush the hopes of home state Sen. Marco Rubio.

[Trump Mortgage failed. Here's what that says about the GOP front-runner.](#)

Tom Hamburger and Michael Kranish, Washington Post, 2/29

As some economists and Wall Street traders began to sense danger ahead of the crippling housing market collapse of 2008, Donald Trump waved away the worries and offered a concrete expression of confidence in the industry.

In the spring of 2006, the tycoon hosted a glitzy event at Trump Tower to introduce Trump Mortgage LLC, a new firm that specialized in selling residential and commercial real estate loans. He devoted a floor of the Trump Organization headquarters at 40 Wall Street to the new business. And his picture appeared atop the company website with the instruction: "Talk to My Mortgage Professionals now!"

EXECUTIVE PAY

[A radical idea for CEO pay: Just give them a fixed salary](#)

Jena McGregor, Washington Post, 3/4

The big debates on CEO pay tend to focus on one thing: How high it is. But in a recent [essay](#) in the Harvard Business Review, two London Business School professors say the real focus shouldn't just be on the size of CEO pay, but on how it's structured. Their argument: Research has shown, among other things, that performance incentives don't really work for the complex nature of the jobs CEOs do, that high bonuses or stock grants can lead to unethical or even fraudulent behavior, and that lofty awards can crowd out the "intrinsic" motivation of wanting to do a good job for its own sake. Their radical solution: Don't pay CEOs based on performance. Just give them a fixed salary instead.

HEDGE FUNDS AND PRIVATE EQUITY FUNDS

[The Billionaire Banker in the Shadows](#)

Nathan Vardi, Forbes, 3/1

Among the robber barons of the new millennium, few are as secretive—or as loathed or as successful—as John Grayken of Lone Star Funds... Since the Great Recession Grayken has made a specialty of buying up distressed and delinquent home mortgages from government agencies and banks worldwide. He's also picked up a major payday lender, a Spanish home builder and an Irish hotel chain...

Last year New York Attorney General Eric Schneiderman reportedly opened an investigation into Grayken's heavy-handed mortgage-servicing tactics, including aggressive foreclosures, which have unleashed widespread outcries from homeowners, housing advocates and trade unions...

In a stroke of brilliant financial maneuvering Lone Star bundled some of the mortgages into bonds and sold them to investors, immediately booking large profits. At the same time Caliber offered "temporary" loan modifications to distressed borrowers that consisted of five-year interest-only payment plans but failed to offer the homeowners any permanent relief through principal reduction. At the end of the five years these loans would revert back to the original payment terms, with all the deferred payments added in.

"Lone Star has bought these loans at a discount from the government—in effect, they got principal reduction. But they are not passing this benefit on to homeowners or communities," says Lisa Donner, executive director of **Americans for Financial Reform**.

[How Elliott Earned Billions on Argentine Bonds at 101% Interest](#)

Julie Weenau, Wall St. Journal, 3/3

How did Elliott Management Corp. manage to make 10 to 15 times what they paid for some Argentine debt? Simple: They bought at a steep discount millions of dollars in bonds that earned 101% interest per year. (No, that's not a typo).

Here's why: Usually, when bonds default, back payments are calculated at a bond's coupon rate, plus a statutory penalty of 9% per year on unpaid interest after the bonds mature. These bonds, the brainchild of Morgan Stanley, were unusual. Called floating rate accrual notes (FRANs) the coupon rates adjusted according to Argentina's creditworthiness.

"This structure arguably provided an incentive for those who were familiar with Argentina's troubled financial history and, as result, concerned about a potential default nevertheless to invest in the FRANs," the U.S. Court of Appeals for the 2nd Circuit later wrote in a decision upholding the absurdly high interest rates.

[For the first time, more investors are cutting their hedge fund exposure than are increasing it](#)

Jen Wiczner, Fortune, 3/2

INVESTOR PROTECTION AND THE SEC

[House Bill to Weaken SEC Enforcement Panels Draws Fire](#)

ThinkAdvisor, 3/2

Americans for Financial Reform wrote to House members in opposition to HR 3798. “Contrary to its sponsor’s stated goal of ‘restor[ing] due process rights for all Americans,’ this bill would reinforce a two-tiered justice system. HR 3798 would make it more difficult for the Securities and Exchange Commission (SEC) to hold companies accountable when they break the law — even as those same firms frequently deny basic due process to their investors and customers through forced arbitration,” it explained in a letter...

Americans for Financial Reform also states that respondents who are found to have violated the law “are entitled to two full appeal processes, including a review in federal court. The extensive protections that already exist for respondents in SEC hearings stand in stark contrast to the efforts by many of these same companies to deprive their own investors and customers of legal protection.” The group notes that some businesses in favor of the bill “use forced arbitration in their standard form contracts ... It is astoundingly hypocritical to seek still further extraordinary legal protections for companies accused of wrongdoing while the same companies refuse to grant their own customers the basic legal right to access the courts.”

[House Panel OKs SEC Forum, Risk Retention Bills](#)

Rob Tricchinelli, Bloomberg Law, 3/3

One bill, H.R. 3798, would allow Securities and Exchange Commission respondents to move many enforcement actions into federal court and would increase the burden of proof for the SEC in cases that stay in-house. That bill would “protect the vital due process rights of defendants in proceedings before the Securities and Exchange Commission,” Committee Chairman Jeb Hensarling (R-Texas) said.

The in-house court bill sparked debate among committee members, who echoed some of the same arguments raised by administrative respondents challenging the constitutionality and fairness of the forum. In a March 2 letter to members of Congress, a coalition of public interest groups, including **Americans for Financial Reform** and Public Citizen, called it “astoundingly hypocritical” to open federal court to accused companies when those companies often contract with their customers to avoid federal courts in case of disputes.

[Consumer Group Slams Bill Weakening SEC’s Enforcement](#)

Financial Advisor IQ, 3/4

[Democrats Press SEC Chief Mary Jo White on Diversity Initiative](#)

Andrew Ackerman, Wall St. Journal, 2/2

Sen. Sherrod Brown of Ohio, Rep. Maxine Waters of California and eight other Democrats in the House and Senate said in a letter Wednesday they were disappointed that Securities and Exchange Commission Chair Mary Jo White hasn’t yet proposed new disclosure requirements, a year after a group of large pension funds petitioned the SEC to do so.

[SEC cracks down on analysts who publish one thing, say another](#)

Todd Ehret, Regulatory Intelligence, 3/3

The longtime practice of Wall Street analysts publishing research reports with generic “buy,” “hold,” or “sell” ratings while reserving more detailed opinions and analysis for personal communications with clients has come under regulatory scrutiny. In mid-February the U.S. Securities and Exchange Commission (SEC) announced that it had settled a case involving a former Deutsche Bank Securities, Inc. (DBSI) analyst who was charged with leaving a “buy” rating on a stock despite expressing in other formats concerns about the company. This case shines a spotlight on analysts and the very common practice of withholding more detailed analysis, opinion, and harsh criticism of a company from publication and only sharing such information verbally.

MORTGAGES & HOUSING

[Why losing a home means losing everything](#)

Emily Badger, Washington Post, 2/29

Doreen, one of the impoverished Milwaukee tenants in sociologist Matthew Desmond's new book "Evicted: Poverty and Profit in the American City," enters an unwinnable war over the plumbing. Sherrena, her landlord, won't fix it. A couple months go by. Doreen calls a plumber herself and deducts the cost from her rent. Then Sherrena threatens to evict her, because now she's behind on what she owes. The two strong-willed women lock in conflict, one trying to protect her family, the other her profit margin.

The deteriorating scene in Doreen's cramped apartment — later the pots pile up, and the roaches come, and the cooking stops, and the kids' grades fall and the depression sets in — builds up to the central insight of Desmond's research: Eviction isn't just a condition of poverty; it's a cause of it. When stable housing is elusive, everything else falls apart. Tenants preoccupied by eviction lag at work and lose their jobs. Or they have to move farther from work and lose their jobs. Or they miss the welfare appointment reminder that was mailed to an address where they no longer live, and they lose their welfare, too.

[HUD, First Federal Bank of Kansas City Reach \\$2.8M Settlement](#)

Bloomberg, 2/29

The U.S. Department of Housing and Urban Development (HUD) announced today an agreement with First Federal Bank of Kansas City to resolve allegations of 'redlining' against African American mortgage applicants. HUD and two fair housing organizations claimed the lender's designated service area effectively excluded African American neighborhoods, limiting residential mortgage lending to persons based upon their race.

[California opens door to wrongful foreclosure suits](#)

Andrew Khouri, Los Angeles Times, 3/2

[A] recent decision by the California Supreme Court will allow some of those former homeowners to pursue lawsuits and possibly win damages for wrongful foreclosure even if they were in default.

[Realty agents say lenders refusing to give closing documents](#)

Kenneth R. Harney, Washington Post, 3/1

POLITICAL INFLUENCE OF WALL STREET & REVOLVING DOOR

[Larry Fink and His BlackRock Team Poised to Take Over Hillary Clinton's Treasury Department](#)

David Dayen, The Intercept, 3/2

Goldman Sachs paid Hillary Clinton \$675,000 for three speeches, but an even bigger Wall Street player stands ready to mold and enact her economic and financial policy if she becomes president. BlackRock is far from a household name, but it is the largest asset management firm in the world, controlling \$4.6 trillion in investor funds — about a trillion dollars more than the annual federal budget, and five times the assets of Goldman Sachs. And Larry Fink, BlackRock's CEO, has assembled a veritable shadow government full of former Treasury Department officials at his company.

[Jamie Dimon on Finance: 'Who Owns the Future?'](#)

John Mickelthwait, Bloomberg Business, 3/1

JM: Would you go into the public sector if you left banking?

JD: No, I don't think I'm suited for it. And I don't think you could have a banker serving in a major role in Washington in the next 10 years. I just don't think it's going to happen—it's just not politically feasible...

[Warren wants rulemaking overhaul](#)

Zachary Warmbrodt, PoliticoPro (paywalled), 3/3

In [remarks](#) prepared for a forum on regulatory capture, Warren suggests more disclosure of meetings between agencies and interested parties. She said there should be more transparency around financial arrangements and data underlying

"bought-and-paid-for" studies used in the regulatory comment process. She proposed reforming judicial review so the public has a chance to challenge "weak rules, agency inaction and agency capture."

"I talk with agency heads who are like beaten dogs - just trying to keep their heads down," she said. "This is even more true for the agency general counsels. It's hard to go up against a well-financed machine that will use every tool at its disposal to overturn years of work, and it's a lot easier to give in and write a softer rule - or no rule at all. Over time, the lobbyists' work gets done by the agencies' own lawyers who get so risk averse that they kill off agency action before it even gets off the ground."

[Elizabeth Warren Says Federal Rules Are Being Unduly Influenced by Corporate Interests](#)

David Sirota and Andrew Perez, IB Times, 3/4

[Panelists Examine Agency 'Capture' by Industry](#)

Cheryl Bolen, Bloomberg, 3/3

Regulatory capture is a theory associated with George Stigler, a Nobel laureate economist. It is the process by which regulatory agencies eventually come to be dominated by the industries they are charged with regulating. Then, instead of acting in the public interest, the agency's rules tend to benefit the industry it is supposed to be regulating.

Sens. Mike Lee (R-Utah) and Elizabeth Warren (D-Mass.), who are on opposite ends of the political spectrum, agreed that regulatory capture exists. But there was less agreement about what, if anything, can be done about it. "I think the idea of regulatory reform has become politically very popular," Warren said. "But too many of the proposals that go under the title of regulatory reform are actually supported by industry, precisely because those proposals would create even more opportunities for them to block regulations they don't like," she said.

[Machiavelli Would Love This Plot Twist From Banks' Washington Book Club](#)

Robert Schmidt, Bloomberg, 2/29

U.S. Representative Jeb Hensarling seems to have been brushing up on his Machiavelli when he set the agenda for his book club this year. The private event, which is run by the chairman of the Financial Services Committee, is a little-known fundraising vehicle where lobbyists for Wall Street banks, insurance companies and accounting firms gather monthly to discuss literature with a Republican panel member. The designated lawmaker picks the book and pulls in the day's haul, which attendees estimate is often in the \$60,000 to \$80,000 range.

While the club is usually low-key, tensions arose recently between the donors and Hensarling when he front-loaded this year's events with two lawmakers whose involvement in scandals have made corporate contributors shy away, according to people with knowledge of the meetings. A number of lobbyists felt the schedule was no accident, the people added.

RETIREMENT SECURITY & FIDUCIARY DUTY RULE

[Lobbyists Gear Up for DOL Fiduciary Rule Release](#)

ThinkAdvisor, 3/1

With the expected release soon — maybe March — of the Department of Labor's rule to change the definition of fiduciary on retirement advice, lobbying groups are positing that legal and legislative remedies may be needed to fix the rule. David Hirschmann, president and CEO of Chamber Center for Capital Markets Competitiveness, said during a mid-February briefing at the U.S. Chamber of Commerce's headquarters in Washington that if "significant concerns" are not addressed in DOL's final rule once it's released by the Office of Management and Budget, the Chamber may take legal action or seek a legislative remedy.

[Ryan Says House Will Fight Fiduciary Rule When It's Finalized](#)

Ryan Rainey, Morning Consult, 3/3

[Brokers Brace for Tighter Standard on Retirement Accounts](#)

Michael Wursthorn, Wall St. Journal, 3/3

[MetLife is second major insurer to exit the brokerage business, in the sale of adviser unit to MassMutual](#)

Christine Idezelis, InvestmentNews, 2/29

[This is how unethical financial advisers can get away with it](#)

Henry Farrell, Washington Post, 3/2

Economists Mark Egan, Gregor Matvos and Amit Seru have an eye-opening new academic research paper on the “market for financial adviser misconduct.” They use data on all 1.2 million people who registered as financial advisers between 2005 and 2015 and come up with some startling results. Many, many financial advisers have been disciplined for misconduct, some repeatedly. These advisers are more likely to be fired — but many of them go on to find jobs at other firms.

Egan, Matvos and Seru’s data suggest that there are two very different employment markets for financial advisers. One of them provides legitimate advice (although there are arguments — see below — that this advice usually isn’t as good as it ought to be). This market is far less likely to employ people who have been disciplined for misconduct. The other market employs advisers who are then matched with unsophisticated consumers who often may not realize that they are getting bad advice.

[It Just Got Even Harder to Trust Financial Advisers](#)

Suzanne Woolley, Bloomberg, 3/1

[Brokers Behaving Badly](#)

Barry Ritholtz, Bloomberg, 3/2

STUDENT LOANS & FOR-PROFIT EDUCATION

[Senator Warren Presses for Debt Cancellation NOW for Defrauded Students](#)

AFR Blog, 2/26

[Education Department misled public about investigation of loan servicers, says watchdog](#)

Danielle Douglas-Gabriel, Washington Post, 3/1

The Education Department conducted a deeply flawed review of its student loan servicers, the middlemen who collect and apply payments to debt, and knowingly misled the public about the findings, according to a [report released Tuesday](#) by the agency’s inspector general.

[Obama Administration Misled Public on Student Loan Fraud](#)

Shahien Nasiripour, Huffington Post, 3/1

[Education Department under fire over military student borrowers](#)

Tim Devaney, The Hill, 3/3

The Department of Education is coming under congressional scrutiny for allegedly turning a blind eye to members of the military who were overcharged for their student loans. Senate Democrats urged acting Education Secretary John B. King Jr., to “correct this injustice” in a letter sent Thursday.

“The men and women in uniform who were overcharged on their student loans while serving our country deserve better,” the Democrats wrote. The letter was sent by Sens. Patty Murray (Wash.), Elizabeth Warren (Mass.), Richard Blumenthal (Conn.), and Dick Durbin (Ill.).

[NY court says fraud suit over Trump University can continue](#)

Michael Virtanen, PBS, 3/1

A New York court on Tuesday refused to throw out a fraud lawsuit against Donald Trump over his former school for real estate investors. The Appellate Division unanimously rejected Trump’s request to dismiss the 2013 suit, ruling that a six-year statute of limitations applies. The four justices also denied New York Attorney General Eric Schneiderman’s request for an immediate judgment, saying there are material issues of fact that should be decided at trial.

Schneiderman alleges that Trump University was unlicensed since it began operating in 2005 and promised lessons with real estate experts hand-picked by Trump, only one of whom had ever met him. The attorney general said the school used “bait-and-switch” tactics, inducing students to enroll in increasingly expensive seminars.

[A "fake university" comes back to haunt Donald Trump](#)

Amy Scott, Marketplace Education, 2/26

[FCC grapples with robocall carveout for student loans](#)

Margaret Harding McGill, PoliticoPro (paywalled), 3/3

The FCC cracked down on annoying robocalls last summer, but a loophole backed by the White House for government debt collection is now forcing the agency to write new rules, worrying consumer advocates.

[For-profit colleges' tiny portion of TOPS safeguarded from cuts; that doesn't sit well with other universities](#)

Rebekah Allen, The Advocate, 3/1

[UC Davis Chancellor's Short Stint on DeVry's Board](#)

Inside Higher Ed, 3/2

[UC Davis Chancellor Quits DeVry Board of Directors After Eight Days](#)

David Halperin, Huffington Post, 3/1

[Wall St Journal Again Posts Anti-Student Op-Ed Without Disclosing For-Profit College Ties](#)

David Halperin, Huffington Post, 3/4

The tagline on the article says, "Mr. Klor de Alva is president of Nexus Research and Policy Center in San Francisco. Mr. Schneider is a fellow and vice president of the American Institutes for Research in Washington."

The tagline does not mention that [Jorge Klor de Alva](#) was from 1996 to 2010 a senior vice president at the Apollo Education Group, parent company of the University of Phoenix and that, for six years in that period, also served as the president of the University of Phoenix. Apollo is the biggest for-profit college company, taking in as much as \$3.8 billion in federal taxpayer dollars annually in the past. In recent years, enrollments and revenues have declined as the company has come [under investigation](#) by multiple federal and state law enforcement agencies for deceptive and abusive practices.

So: The Apollo Education Group, which was Klor de Alva's long-time employer, is the very kind of for-profit college company whose students could be seeking the debt relief that the op-ed argues against.

[The Feds and Students vs. Taxpayers](#)

Jorge Klor De Alva and Mark Schneider, Wall St. Journal, 3/3

SYSTEMIC RISK

[Fed to Unveil New Rules Aimed at Corraling Banks' Risk](#)

Donna Borak and Ryan Tracy, Wall St. Journal, 3/3

Policy makers are poised to unveil a new plan Friday that seeks to restrain how quickly risk can spread among the country's biggest banks. The Federal Reserve's revised proposal will be the central bank's latest step to minimize the systemic risk posed by the biggest banks—not based on size, but on interconnections with other large firms—by limiting how much exposure institutions may have to each other and to their counterparties. Despite its potential significance to stem contagion in financial markets, the rule—known as the single counterparty credit limit—has spent years on the back burner. Until now, regulators had been focused largely on other high-profile rules tied to capital, liquidity and other curbs on risk-taking.

[The Next Dodd-Frank Headache for Banks: Living Wills](#)

Ryan Tracy, Wall St. Journal, 2/29

The 2010 Dodd-Frank Act contained more than 365,000 words, but the next big headache for Wall Street banks may turn on just one: “credible.” The question is whether America’s largest banks have drawn up credible plans for winding down their operations without taxpayer help if they start to fail. The “living will” requirement was set up by Dodd-Frank to head off future taxpayer bailouts, and when the largest U.S. banks first received individual feedback on their plans in 2014, they came up short.

The most recent submissions were filed last July, and the Federal Reserve and Federal Deposit Insurance Corp. are expected to offer their judgments in the coming weeks. If banks miss again, they could be in for a measure of pain. A judgment of “not credible” would trigger a process that could end in sanctions including higher capital requirements or even forced divestitures. Still, the living-will process hasn’t received the same attention as the bank stress tests administered every year.

[New Doubts About ‘Too Big to Fail’ Banks Rattle Foundation of Regulations](#)

Peter Eavis, NY Times, 3/2

Governments around the world have built over the last few years a vast new system of rules that would allow banking giants to fail and shield taxpayers from bailouts. Though this new regulatory architecture is eye-numbingly complex, its builders contend that it has made the financial system much safer without having to resort to measures like forcing a breakup of the largest banks. But that reassuring view has taken a beating of late... Some mergers-and-acquisitions bankers on Wall Street are privately beginning to conclude that some of the largest banks may break up in the coming years.

[Deregulation: Bad for Cheeseburgers, Bad for Financial Markets](#)

Alexis Goldstein, Medium, 3/3

Yesterday in the House Financial Services Committee, a new bill was considered that would weaken a key piece of financial reform. Speaking in support of the bill, Rep. Steve Stivers (R-OH) argued that this new piece of regulation was important because of... “delicious cheeseburgers.”

H.R. 4166, the “Expanding Proven Financing for American Employers Act,” would create new exemptions from the rules in Dodd-Frank that require the financiers packing up new securities to retain a stake in their new products — rules put there to ensure that they have skin in the game.

[Much more work to prevent another financial meltdown](#)

Bob Graham and Phil Angelides, Sacramento Bee, 3/2

Although we have made some progress, it hasn't been nearly enough to match the magnitude of the crisis and what the country endured. Disturbingly, some members of Congress already are working to turn back the clock and return to the broken pre-crisis status quo that nearly brought down our economy.

Proposed legislation would force regulators to roll back the improved risk controls at more than two dozen of our largest banks. The Consumer Financial Protection Bureau also is under constant threat, as we saw during the recent fight in Congress over the omnibus spending bill.

WHISTLEBLOWER PROTECTION

[WARN Act to increase whistleblower protections](#)

Katherine Bercik, Dodd Frank Update, 3/3

The outline released for the WARN Act stated that Wall Street banks can prevent employees from exercising their rights by requiring them to waive their whistleblower rights as a condition for employment. The outline added that there were not adequate protections in place for whistleblowers at prudential regulators...“If we strengthen and empower whistleblowers in the financial industry, we can do a better job of holding Wall Street accountable. These reforms will help us do that,” Baldwin stated, referring to the “reckless actions” that led to the financial crisis in 2008.

The bill has been endorsed by the Government Accountability Project, **Americans for Financial Reform**, the AFL-CIO, Public Citizen and Communication Workers of America.