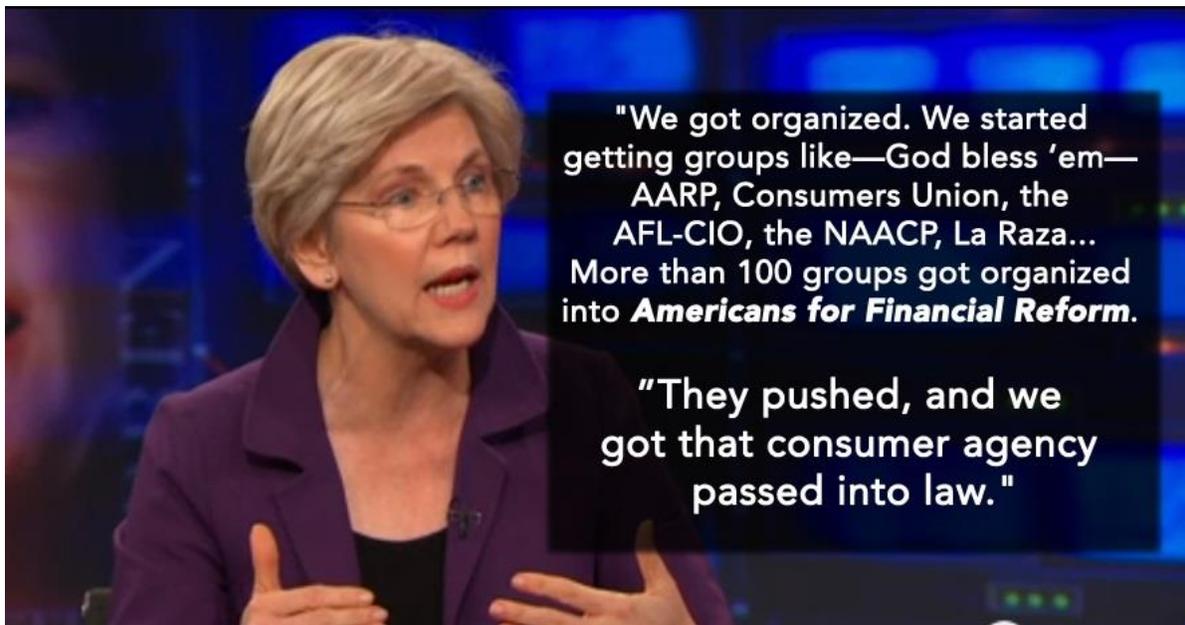


AMERICANS FOR FINANCIAL REFORM

This Week in Wall Street Reform – Apr. 4-10, 2015

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CONSUMER FINANCE & PROTECTION



[How We Got the Consumer Financial Protection Bureau - Senator Warren Tells the Story](#)

Interview with Senator Elizabeth Warren, The Daily Show, 4/9/15

"I talked to a bunch of people in Washington," she recalls (4 mins. 34 seconds into the video excerpt below). "At that time, I was just a professor... I'm not connected in any way. I go around and talk to people, [and] they tell me two things... One, that is a great idea – you can actually make a difference with an agency like that. And two, don't do it, don't even try, because the big banks will shut this down... [But] we got organized... We started getting groups like – God bless 'em – AARP, Consumers Union, the AFL-CIO, the NAACP, La Raza... More than a hundred groups got organized into **Americans for Financial Reform**. They pushed, and we got that consumer agency passed into law."

[GOP lawmakers ask regulators to abandon 'Choke Point'](#)

Jon Prior, PoliticoPro (paywalled), 4/9/15

Chairman Jeb Hensarling and Reps. Scott Garrett, Randy Neugebauer, Blaine Luetkemeyer, Bill Huizenga and Sean Duffy sent letters to leaders of the [Federal Reserve](#), [Consumer Financial Protection Bureau](#), [Office of the Comptroller of the Currency](#) and [National Credit Union Administration](#). They have criticized regulators for their involvement in the so-called "Operation Choke Point" for urging banks to sever relationships with specific industries such as payday lenders and gun dealers.

[CFPB Launches Its Own Choke Point-Style Operation](#)

Rachel Witkowski, American Banker, 4/8/15

The Consumer Financial Protection Bureau has filed a massive lawsuit against more than a dozen debt collectors, payment processors and related entities that the agency said failed to stop fraudulent collection tactics.

The complaint, filed under a seal on March 26, accuses a handful of connected debt collectors based in Georgia and New York of harassing consumers about "phantom" debts. But the potentially groundbreaking part of the case is that the CFPB also sued several payment processors, including worldwide processor Global Payments and its contracted parties, because the agency said they "should have known" about the alleged violations.

[Feds take down bogus debt-collection operation based in Buffalo](#)

Jonathan D. Epstein, Buffalo News, 4/8/15

[CFPB Sues Phony Debt Collectors](#)

Nicholas Ballasy, Credit Union Times, 4/8/15

[CFPB shuts down robocall debt collection ring](#)

Sheryl Harris, Cleveland Plain Dealer, 4/8/15

[Consumer Financial Protection Bureau Sues Participants In Robo-Call Phantom Debt Collection Operation](#)

Press Release, Consumer Financial Protection Bureau, 4/8/15

[Payday Loan Reform Won't Kill Short-Term Credit—Just Make It Safer](#)

Adam Rust, American Banker, 4/9/15

[Poll Results: Will the CFPB's Payday Lending Plan Help Borrowers?](#)

American Banker, 4/2/15

[Payday lenders among Arizona's legislative losers](#)

Howard Fischer, Arizona Daily Star, 4/8/15

[CFPB Misguided on Payday Loans](#)

Marvin Umholtz, Credit Union Times, 4/3/15

[Private sector lenders aren't helping those underserved by banks](#)

Richard Fiesta, Letter to the Editor, Washington Post, 4/6/15

[New Underbanked FICO Score Faces Old Banker Skepticism](#)

Penny Crosman and Andy Peters, American Banker, 4/2/15

[Consumer bureau pushes to start financial education in kindergarten](#)

Lydia Wheeler, The Hill, 4/7/15

DERIVATIVES, COMMODITIES & THE CFTC

[Tougher oversight could pay dividends for Wall Street exchanges](#)

Patrick Temple-West, PoliticoPro (paywalled), 4/7/15

Companies often complain about the cost of regulations. But when it comes to tighter oversight of clearinghouses for derivatives, a new question is entering the debate: Can you make a little money off complying with rules?

ENFORCEMENT

[FBI: Six Individuals Indicted in Mortgage Fraud Scheme](#)

Press Release, 7th Space Interactive, 4/9/15

EXECUTIVE COMPENSATION

[Pay Gap Between Wall Street CEOs and Employees Narrows](#)

Peter Rudegeair, Wall Street Journal, 4/5/15

The gap between what bank CEOs and their staffs take home in pay has narrowed significantly since the financial crisis, driven mostly by a drop in compensation for the leaders of the five biggest Wall Street firms, according to a Wall Street Journal review of bank regulatory filings...

The differential between CEOs' and workers' pay may get more attention once the U.S. Securities and Exchange Commission finalizes a rule mandating all public companies to report how much more the CEO made than a typical employee. The banking industry has opposed such disclosures.

The top bank executives are still well paid. Last year, the heads of [J.P. Morgan Chase](#) & Co., [Goldman Sachs Group](#) Inc., [Morgan Stanley](#), [Bank of America](#) Corp., and [Citigroup](#) Inc. were awarded \$92.5 million collectively, or \$18.5 million on average.

FEDERAL RESERVE

[Senate seen waiting for Obama until Fed nominee hearing called: sources](#)

Michael Flaherty & Emily Stephenson, Reuters, 4/9/15

The White House in January named Allan Landon, former chief executive of the Bank of Hawaii, as a board nominee. At the time, Landon was viewed as a candidate who could win support from both Republicans and Democrats, given that the bulk of his career was spent as an executive at a small U.S. bank.

But the Senate Banking Committee has yet to call a hearing on his nomination and people familiar with the matter say Shelby, an Alabama Republican, does not plan to schedule one until the White House nominates a person to fill the Fed's last open seat.

[Fed community banker nominee in limbo](#)

Jennifer Liberto, Politico, 4/9/15

INVESTOR RIGHTS & THE SEC

[Victims of Financial Wrongdoing Need a More Muscular S.E.C.](#)

Gretchen Morgenson, NY Times, 4/4/15

While both plaintiffs and the agency have different roles to play, Congress should still consider expanding how much the S.E.C. can extract in penalties, perhaps making them commensurate with the losses investors incurred.

The S.E.C. has asked Congress for this authority, [Director of Enforcement Andrew J.] Ceresney said. But it has not been granted. "Allowing us to recover penalties equal to investor losses would assist us in fulfilling our investor protection mission," he said.

[Administration Meets With Industry on "Fiduciary" Rule](#)

Marianne LeVine and Patrick Temple-West, PoliticoPro (paywalled), 4/9/15

In a meeting at the New Executive Office Building, industry representatives, including from TIAA-CREF, Lincoln Financial Group, AIG's consumer division, LPL Financial and Cetera Financial Group, met with about 10 administration officials, according to the Insured Retirement Institute, a trade association. ... Separately, representatives from the Chamber of Commerce also met with these administration officials [Wednesday]. And last week, the Securities Industry and Financial Markets Association had a similar meeting.

[A Three-Pronged Approach](#)

Steven Davidoff Soloman, NY Times, 4/2/15

Delaware is going to war over shareholder litigation, but will shareholders or corporations emerge victorious? The war is being fought [over recent amendments](#) proposed to corporate law in Delaware, where most United States public companies are incorporated.

These amendments would do three things: weaken appraisal rights, designate Delaware as the sole forum for litigation and ban so-called fee-shifting to the losing parties in cases. The outcome has the potential to transform the landscape of shareholder litigation.

[Advocacy Group Wants Broader FA Background Checks](#)

Leslie Kramer, Investopedia

Along with PIABA, a total of nine public interest groups including **Americans for Financial Reform**, the Alliance for Justice, the Center for Justice and Democracy, Consumers Union, National Consumers League, Public Citizen, the National Association of Consumer Advocates, US PIRG, and the Public Investors Arbitration Bar Association have formed an alliance to better address their concerns.

One way they are doing so is by pushing FINRA's self-appointed [arbitration](#) task force to provide more transparency and to make available a wide range of data that is currently not being made public. PIABA, in particular, claims that FINRA's refusal to make crucial information from its database available ends up misleading investors who have a right to know about analysts full background checks. Public Citizen, a non-profit consumer rights advocacy group, is also pushing FINRA to provide comprehensive reviews of the financial advisors and brokers on its BrokerCheck system, so that consumers can make better-informed decisions when choosing the personnel who is going to manage their assets.

[Merrill Doesn't Hesitate to Ax Big Producers, Sending Message](#)

Michael Wursthorn, Wall Street Journal, 4/4/15

[Big-Bank Board Game Puts Shareholders in Second Place](#)

John Carney, Wall Street Journal, 4/5/15

[A Closer Look at Equity](#)

Stuart Quinn, Insights Blog at CoreLogic, 3/27/15

[SEC examining 12b-1 fees](#)

BenefitsPro, 4/8/15

"Because the fees are buried within the administrative fee charged by mutual funds and annuities, investors often fail to understand how much they are paying or what they are paying for through these fees," said the letter, authored by the Consumer Federation of America, the AFL-CIO, and **Americans for Financial Reform**, among others.

[Advocacy Group Wants Broader FA Background Checks](#)

Leslie Kramer, Investopedia

The Financial Industry Regulatory Authority's (FINRA) BrokerCheck tool has long been used by investors looking to do due diligence when hiring a financial advisor or broker. Some industry organizations, however, are unhappy with how FINRA is running the site.

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[Conflicts of Interest and the Duty of Loyalty at the Securities & Exchange Commission](#)

Knut A. Rostad, Fiduciary Reference, 4/6/15

[Crowdfunding Experts Address New Regulation A+ Rules Live](#)

Devin Thorpe, Forbes, 4/9/15

MORTGAGES AND HOUSING

[House Republicans Want To Hand Warren Buffett Bigger Profits On Loans To Poor People](#)

Zach Carter, Huffington Post, 4/9/15

House Republicans are set to deliver a major favor to Warren Buffett next week, days after [a devastating expose](#) detailed consumer abuses in his corporate empire. And many Democrats seem willing to help [the world's third-richest person](#) extract additional profit from the poor...

The deregulation bill that House Republicans and some Democratic allies will push through next week almost certainly won't result in a systemic crash. But by eliminating protections for many high-cost mobile home loans, it will help protect Buffett and other mobile home lenders from federal penalties if they take advantage of poor borrowers. Americans for Financial Reform, the Consumer Federation of America, and many community organizations oppose the bill. BOLD AFR

[Dent's Efforts on Housing Counseling Recognized with National Award](#)

RealEstateRama, 4/8/15

[Strategic Defaults Induced by Loan Modifications](#)

Xianghong Li, York University; Xinlei Shelly Zhao, Office of the Currency Comptroller, 3/28/15

POLITICAL INFUENCE OF WALL STREET

[Elizabeth Warren on the Daily Show: "The rich and the powerful do better and better"](#)

Colin Gorenstein, Salon, 4/10/15

"The problem we've got is that there is so much money flowing into Washington, so much power (and) so many lobbyists, that it becomes the norm," she said. "I want to say it this way: The wind only blows from one direction – it only blows from the direction of those who have money."

Taking a look at the systemic failure, Warren said: "Powerful corporations (and) rich people have figured out that if you can bend the government to help you just a little bit, it's a tremendous payoff," Warren said, "and if you can bend it to help you just a little bit more and a little bit more, the playing field just gets more and more tilted, and the rich and the powerful just do better and better."

[How Wall Street captured Washington's effort to rein in banks](#)

Charles Levinson, Reuters Special Report, 4/9/15

When the final version of Reg AB II came out last year, disclosure rules advocated by many within the [SEC] had been stripped out. Of particular concern: Banks could continue to sell asset-backed securities to institutional investors on the private market with no new disclosure requirements.

In September 2008, Young, the FASB member, told a congressional hearing: "There was unending lobbying of the FASB" to preserve banks' right to continue stashing loans off their balance sheets... FASB's draft rules did away with QSPEs. That left something known as a Variable Interest Entity, which carried a tougher standard banks had to meet to secure off-balance-sheet treatment. But then, as the lobbying continued, FASB relaxed the rules for VIEs, essentially closing one loophole while opening another.

"The changes were all in the direction of watering it down," said Marcus Stanley, policy director of **Americans for Financial Reform**, a consumer group in Washington, D.C.

[As Clinton Tries to Win Over Progressives, She Might Want To Distance Herself From This Economic Adviser](#)

Samantha Lachman, Huffington Post, 4/9/15

[Hillary Clinton] may find it expedient to distance herself from the policies promulgated by Robert D. Hormats, a [Clinton cheerleader](#) and former Goldman Sachs vice chairman who served under her at the State Department...

Hormats has argued that "[widespread deregulation](#)" is essential for global growth. Progressive voices within the Democratic Party, such as Sen. Elizabeth Warren (D-Mass.), have argued that such deregulation was directly responsible for the financial crisis in 2008, which in turn caused the Great Recession.

Similarly, in a discussion [of whether former Federal Reserve Chairman Alan Greenspan should be reappointed](#) by then-President George W. Bush, Hormats said Greenspan, who is loathed by progressives, had done "a terrific job." "He enjoys respect on both Main Street and Wall Street," Hormats said. "In short, he's really been one of the great financial leaders in American history."

[Eyeing 2016, O'Malley criticizes 'feckless' Wall Street regulation](#)

Ari Melber, MSNBC, 4/10/15

STUDENT LOANS & FOR-PROFIT EDUCATION

[Relief for Community Colleges](#)

Michael Stratford, Inside Higher Ed, 4/7/15

[New York Consumer Agency Opens Investigation Into Four For-Profit Colleges](#)

Ashlee Kieler, The Consumerist, 4/3/15

[Dept. of Ed names 20 schools facing financial investigation after 'severe' audit findings](#)

Kyla Calvert, PBS Newshour, 4/3/15

A partial list of just which schools are under that increased scrutiny, which the department of education calls "heightened cash monitoring" was made public for the first time this week. A reporter from Inside Higher Ed, a higher education news website (and PBS NewsHour content partner), first requested the names of the schools last summer but was told the department didn't keep a list.

[9 Attorneys General Ask Education Dept. to Forgive Corinthian Debt](#)

Andy Thomasan, Chronicle of Higher Education, 4/12/15

[Kamala Harris Urges Forgiveness of Student Debt from Predatory Colleges](#)

David Knowles, Bloomberg, 4/9/15

[Student Debt Strike? Read This Texas Mom's Powerful Words](#)

David Halpern, HuffPost Politics Blog, 4/5/15

[A Little-Known Student Loan Protection Remains Mired In Mystery](#)

Molley Hensley-Clancy, BuzzFeed, 4/5/15

[Private Loan Takedown](#)

Ashley Smith, Inside Higher Ed, 4/7/15

SYSTEMIC RISK

[General Electric to Sell Bulk of Its Finance Unit](#)

Michael J. De La Merced & Andrew Ross Sorkin, NY Times, 4/10/15

General Electric plans to sell off most of its finance arm over the next two years, redefining the multinational conglomerate as it seeks to complete a transformation begun amid the tumult of the financial crisis. The move could

release the company from one of its biggest burdens: strict regulatory requirements that come with GE Capital's being regarded as a financial institution that is too big to fail.

[General Electric Hands Dodd-Frank Its Biggest Victory Yet](#)

Zach Carter, Huffington Post, 4/10/15

"I see this as a win not just for too-big-to-fail, but for the extension of the regulatory perimeter in Dodd-Frank," said Marcus Stanley, policy director at **Americans for Financial Reform**. "You basically had one of the largest consumer and investment banks in the country stapled onto a major industrial corporation, and because it was part of this conglomerate, it wasn't being regulated like a major bank. When the Fed changed that regime, GE decided it wouldn't be as profitable."

[Use Tiered Regulation to Preserve Small Banks, Keep Big Ones in Line](#)

Arthur Wilmarth, American Banker, 4/2/15

A two-tiered system would encourage community banks and smaller regional banks to maintain their relationship-based business model. It would also reduce the risks posed by megabanks to our financial system and national economy. Under my proposal, first-tier "relationship" banks would continue to accept deposits, make loans, exercise fiduciary powers and engage in other closely related activities. First-tier banks would retain their current supervisory arrangements and would also keep their existing deposit insurance. Congress and regulators would reduce compliance burdens on first-tier banks in order to accommodate their proven business model of providing personalized customer service and relationship loans.

First-tier relationship banks would also be allowed to offer investment and insurance products as agents. But they would be barred from affiliating with companies that engage in securities underwriting or dealing, insurance underwriting or derivatives dealing. First-tier banks could buy derivatives only for bona fide hedging purposes.

The second tier of "nontraditional" banking organizations (including megabanks and other financial conglomerates) could continue to engage in securities, derivatives, insurance and other capital markets activities through nonbank subsidiaries. However, second-tier conglomerates would be prohibited from making private-equity investments or dealing in physical commodities.

[Sanders: Stand up to Wall Street, Break up Big Banks](#)

Press Release, Office of Senator Bernie Sanders, 3/31/15

Speaking last night at the Commonwealth Club of California, U.S. Sen. Bernie Sanders (I-Vt.) said it is time to break up "too-big-to-fail" Wall Street banks that have grown larger and more powerful since taxpayers bailed them out after the 2008 financial collapse.

"No single financial institution should have holdings so extensive that its failure could send the world economy into another financial crisis. If an institution is too big to fail, it is too big to exist," Sanders said.

[In shareholder letter, Dimon challenges new bank rules](#)

JPMorgan Chase Annual Report for 2014

Dimon says the next financial crisis should see "more volatile" markets and a "rapid decline in valuations" because regulators have hamstrung the banks. In his annual letter to shareholders, He describes recent schisms in Treasury and currency markets as a "warning shot across the bow." He devoted three pages to a "thought exercise" on what might happen in the next crisis, warning that the ability of JPMorgan and other banks to act as shock absorbers has been dramatically hindered by new capital and liquidity rules.

[JP Morgan CEO Jamie Dimon: "The expensive lessons that I will not forget"](#)

Jacob Gaffney, Housing Wire, 4/9/15