

# AMERICANS FOR FINANCIAL REFORM

## This Week in Wall Street Reform | May 30–June 5, 2015

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### CONSUMER FINANCE & THE CFPB

#### [Senate Democrats Want Tough Rules to Rein In Payday Lenders](#)

Victoria McGrane, *Wall Street Journal*, 6/4/15

A majority of Democratic senators are formally urging the nation’s consumer watchdog to issue “the strongest possible rules” reining in payday and other short-term lenders.

#### [Dems demand 'strongest rules possible' for payday lenders](#)

Lydia Wheeler, *The Hill*, 6/4/15

#### [Sen. Tim Kaine urges strong rules to prevent predatory payday lending practices](#)

Editorial, *Augusta Free Press*, 6/5/15

#### [Merkley, colleagues urge crackdown on 'predatory' lenders](#)

KTVZ.COM, 6/5/15

#### [Senators Merkley and Duirbin Lead Group of 32 Senators to Urge Consumer Agency to Issue “Strongest Possible Rules” to Stop Predatory Payday Lending](#)

Press release, Senator Jeff Merkley, 6/4

#### [Reining in payday lenders](#)

Editorial, *The Register Guard*, 6/5/15

Sen. Jeff Merkley joined more than 30 of his Democratic colleagues Thursday in exhorting the nation’s consumer watchdog to stop payday and other short-term lenders from taking advantage of the nation’s working poor. It’s a necessary move, and Merkley was well qualified to be one of the primary authors of a letter to Richard Cordray, director of the Consumer Financial Protection Bureau. Merkley was speaker of the Oregon House of Representatives when the state Legislature passed a landmark law protecting consumers from payday loans. For years, federal lawmakers have attempted with no success to crack down on predatory payday loans with federal laws modeled on protection already in place in Oregon and other states.

#### [Consumer advocates fire back at Florida congressional delegation over payday lending](#)

Nicholas Nehamas, *Miami Herald*, 6/3

In April, all but one member of Florida’s House delegation signed a letter to the U.S. Consumer Financial Protection Bureau criticizing new, more restrictive rules that the agency had proposed for payday lenders. The legislators urged regulators to instead model their reforms on Florida’s payday lending laws, which they said protect consumers from borrowing too often or paying exorbitant fees.

But the consumer advocates said state laws are not strong enough to protect Floridians from falling into a never-ending “debt trap” in which they are compelled to take out a new loan to pay back the old one.

### [State awaits response from payday lending firm](#)

**Ted Carter, Mississippi Business Journal, 6/5/15**

The Mississippi Department of Banking and Consumer Finance is awaiting statewide payday lender All American Check Cashing’s response to findings the department made in its investigation of alleged illegal loan rollovers.

### [Payday Loans — and How to Fix Them](#)

**Video series, Pew Charitable Trusts, 6/2**

### [Military Lending Needs No Further Study](#)

**Matthew Covington, Letter to the Editor, Des Moines Register, 6/3**

### [OCC's \\$30 million fine of Bank of America for military lending breaches](#)

**Sussannah Hammond, Thomson Reuters, 6/4**

### [World Acceptance Chief Executive to Retire](#)

**Colin Wilhelm, American Banker, 6/2**

McLean's retirement announcement comes amid increased scrutiny by the Consumer Financial Protection Bureau of the type of installment lending that performs by World Acceptance and other nonbank lenders. The CFPB in March announced proposed rules for nonbank lenders, limiting how often loans could be rolled over to generate interest payments.

### [After Ruling that McDonald’s Can’t Pay Workers in Bank Cards, the Bank Pays Up](#)

**Alan Pyke, ThinkProgress, 6/3/15**

Payroll cards such as those the Muellers used are legal in many states, despite the fees that eat into workers’ wages. A handful of state legislatures are weighing new rules to govern the use of such cards, including Pennsylvania itself and Washington state. The Consumer Financial Protection Bureau is working on regulations for a wide range of different prepaid debit cards including payroll cards like those in the Mueller case. The agency has warned employers that they must make alternative forms of payment available for any worker who doesn’t want the cards, and is currently soliciting comments on a proposed federal regulation.

### [Elizabeth Warren driving solo so far on auto-loan fight](#)

**Jennifer Liberto, Politico, 6/1**

### [Enzi questions IRS’s solicitation on behalf of the Consumer Financial Protection Bureau](#)

**PoliticalNews.me, 6/4**

### [Understanding the CFPB and its closing disclosure](#)

**Craig Roberts, Inman, 6/3**

### [Why Mission-Oriented Banks Stand Out from the Pack](#)

**Saurabh Narain, American Banker, 6/1**

A new [study](#) by the National Community Investment Fund profiles 24 financial institutions representing the greater "mission-oriented" banking industry. The surveyed institutions include 21 certified community development financial institutions and 16 designated as minority depository institution banks...

### [‘Credit invisible’ blacks, Latinos](#)

**Charlene Crowell, Frost Illustrated, 6/1**

### [Banks' Billions in Overdraft Fees Seen Dodging Tough U.S. Rules](#)

**Carter Dougherty, Bloomberg Business, 6/5/15**

The new regulations the CFPB is considering would probably disappoint consumer groups, which have railed against overdraft fees as abusive with examples of \$5 lattes suddenly costing more than \$40. The charges amount to a short-term loan -- though with interest rates exceeding 4,000 percent -- when debit-card transactions push customers' account balances below zero.

## **DERIVATIVES, COMMODITIES & THE CFTC**

### [CFTC mulls stricter rules for automated traders](#)

**Financial Times, 6/3**

[CFTC Chairman Timothy] Massad said his agency was now considering whether proprietary traders with direct electronic access to an exchange should be required to register with authorities. He also asked whether clearing brokers, which collect margin money from traders and ensure they make good on derivatives bets, should be required to manage the risks related to their customers' algorithms.

The CFTC may also consider principles and standards on how algorithmic trading systems are constructed, such as message and execution throttles, kill switches, and controls designed to prevent erroneous orders, he said.

### [Regulator Warns Against Regulation](#)

**James Freeman, Wall Street Journal, 6/2**

Commissioner Christopher Giancarlo of the U.S. Commodity Futures Trading Commission will assail the work of his federal colleagues in a Tuesday speech entitled, "The New Mediocre Is Not Good Enough..." Mr. Giancarlo is a Republican and former business executive on the commission. But as a supporter of the Dodd-Frank law's provisions governing derivatives, his criticisms are not so easily dismissed. Also, his message echoes [a recent report from the Financial Stability Oversight Council \(FSOC\)](#), which admitted that a number of rising marketplace risks are in fact the result of regulations intended to reduce them.

### [White House Threatens Veto of Bill Limiting CFTC Oversight](#)

**Kurt Orzeck, Law360, 6/2**

## **ENFORCEMENT**

### [U.S. Prosecutors Did Not Question Goldman on Financial Crisis in 2010 Meeting](#)

**Matthew Goldstein, and Nathaniel Popper, N.Y. Times, 6/3**

[T]he gathering, organized by Lanny A. Breuer, then the assistant attorney general for the criminal division, focused exclusively on the subject of terrorism financing...

"I applaud him for going to experts on money laundering, but how could you resist not asking even one question about the thing on everyone's mind?" said Erik Gordon, a professor at the Ross School of Business of the University of Michigan. "It's a real head-scratcher how he could be in the room with three or four people from Goldman and not take advantage to ask them about the financial crisis."

### [Waters, Warren Lead Call for Hearings over Banks' Efforts to Secure DOL Waivers](#)

**4.traders.com, 6/4**

## **EXECUTIVE COMPENSATION**

### [Shareholders push companies to change executive pay](#)

**Lydia Wheeler, The Hill, 6/2**

### [Staples struggles, but CEO's pay surges](#)

**Taryn Luna, Boston Globe, 6/1**

## [How Companies Justify Big Pay Raises for CEOs](#)

Anders Melin and Jeremy Scott Diamond, Bloomberg Business, 6/4

## FEDERAL RESERVE

### [Fed policy helping rich get richer: BlackRock pro](#)

Jeff Cox, CNBC, 6/3

## FINANCIAL TRANSACTION TAX

### [Hillary Clinton Needs a Sister Souljah moment with Wall Street](#)

Harold Meyerson, Washington Post, 6/4/15

It's time for Hillary Clinton to deliver her own [Sister Souljah](#) speech... [It] should go something like this: I won't put up with noxious nonsense that endangers our economic prospects just because it originates on Wall Street.

There are distinct policies she can propose that would solidify her Democratic support, broaden her backing among independents and help her silence the squawking albatross she wears around her neck: the perception — reality, actually — that she's too close to high finance.

The first such policy would be to call for a financial transaction tax that would cover the costs to students of attending public colleges and universities. Her fellow candidate for the Democratic nomination, Vermont Sen. Bernie Sanders (I), has already advanced [this proposal](#) before rapturous crowds, but the ideas that free public higher education is good for the nation and that Wall Street can and should provide the funding have appeal well beyond liberal circles.

## INVESTOR PROTECTION & THE SEC

### [SEC Bickering Stalls Mary Jo White's Agenda](#)

Andrew Ackerman and Aruna Viswanatha, Wall Street Journal, 6/3

The slow pace of progress has singled Ms. White out for criticism from both Republicans and Democrats, who have faulted her leadership or her approach to regulation and enforcement. The gridlock also has delayed the completion of some probes into financial misconduct.

While Ms. White, an independent, controls the SEC's agenda, she has only one vote on enforcement and policy matters, meaning she must garner support from at least two fellow commissioners to garner a majority necessary to sign off on rules and enforcement actions.

### [New Investor Protection Proposal: Less Than Meets The Eye?](#)

John E. Girouard, Forbes, 6/3

### [Warren Slams SEC's White Over Dodd-Frank Enforcement](#)

Victoria Finkle, American Banker, 6/2

### [Elizabeth Warren declares war on Mary Jo White's SEC--and it's about time](#)

Michael Hiltzik, L.A. Times, 6/3

The longest-running scandal in our financial markets is the indulgence shown banks and other wrongdoers by federal law-enforcement and regulatory agencies, which love to settle criminal cases with little more nebulous admissions of wrongdoing, if that, and modest financial settlements. (Yes, even a multibillion-dollar penalty can be modest for a huge Wall Street firm.)

Among the chief culprits in this orgy of wrist-slapping is the Securities and Exchange Commission under its current chair, Mary Jo White. On Tuesday, Sen. Elizabeth Warren, D-Mass., excoriated White with [a 13-page letter](#) that accused the SEC chair of slow-walking desperately needed rules and regulations, renegeing on her commitments to ride herd on criminal activity by corporations, and even lying to Warren about the status of upcoming regulations.

## [Did Elizabeth Warren go too far this time?](#)

Patrick Temple-West and Ben White, Politico, 6/2

## **MORTGAGES & HOUSING**

### [No Surprise Here: CFPB Finds Reverse Mortgage Ads Create False Impressions](#)

Ashlee Kieler, The Consumerist, 6/4/15

Last year, Consumerist reported on why [you shouldn't run out to sign up for a reverse mortgage just because Fred Thompson or other paid spokespeople opine about the benefits](#) in national advertising campaigns. Today, the Consumer Financial Protection Bureau echoed our fears that these ads can be misleading by releasing the results of a focus group and issuing an advisory warning consumers that promotions for the costly product often don't tell the whole story.

### [CFPB orders RPM Mortgage to pay \\$19M for steering consumers to costlier mortgages](#)

Trey Garrison, Housing Wire, 6/4

## **RETIREMENT INVESTMENT ADVICE AND FIDUCIARY DUTY RULE**

### [Wall St. Watchdog says Labor Dept. broker rule 'not the way to go'](#)

Suzanne Barlyn, Reuters, 5/27/15

The remarks by Richard Ketchum, the Financial Industry Regulatory Authority's (FINRA) chairman and chief executive, could help bolster the arguments of the brokerage industry which has been fiercely lobbying against the Labor Department's rulemaking effort.

It is "not the way to go," said Ketchum in prepared comments at the watchdog's annual conference.

The Labor Department's plan "would leave enforcement entirely to investors who feel they're wronged," Ketchum told reporters. Investors who believe their retirement account brokers did not meet the standard would have to file arbitrations or class action lawsuits to enforce the contracts, Ketchum said.

See responses from [Consumer Federation of America](#) and [Better Markets](#), and [Fact Sheet](#) put out by AARP, AFR, Better Markets and CFA.

### [In post-pension era, Americans need financial advisers who look out for them](#)

Arthur Sutherland, Salt Lake Tribune, 5/30/15

## **STATE & MUNICIPAL FINANCE**

### [Chris Christie's Administration Omitted Wall Street Fees from State Pension Analysis](#)

Matthew Cunningham-Cook and David Sirota, International Business Times, 6/4

Even as Chris Christie pushed to cut benefits to retired New Jersey firefighters, teachers and other state workers, saying there simply wasn't sufficient money in the pension fund, his administration was [concealing](#) how millions of those pension fund dollars were spent.

Faced with [intensifying criticism of](#) skyrocketing fees the state pension was paying to financial firms, the Republican governor's officials have touted their own cost estimate. But they didn't offer a complete reckoning. The officials' testimony to state lawmakers and [letter](#) to one of the state's largest newspaper chains earlier this year appeared to prove that the state's fees were well below other states. In fact, the Christie administration's pension analysis, [obtained](#) through an open records request by International Business Times, omitted so-called performance fees that the state is paying to Wall Street. Those levies, which give financial firms a cut of the state's investment gains, now total hundreds of millions of dollars a year. A Christie administration [presentation](#) to state pension trustees also obtained by IBTimes similarly omitted those performance fees.

# STUDENT LOANS & FOR-PROFIT EDUCATION

## [Don't Try to Catch a Falling Knife at Career Education](#)

**George Hanley, Seeking Alpha, 6/3**

Career Education is a major player in the for-profit segment of the education sector, providing education services to roughly 40,000 students around the country, mostly through online channels. Unfortunately, that significant scale of operations has proven to be of little benefit to the company over the past five fiscal years, due in large part to the federal government's investigations into the industry's business practices and subsequent development of regulations that has made recruiting difficult, while generally raising the costs of operating for-profit schools. The net result for Career Education was a severe reduction in its adjusted operating margin during that time period, not surprisingly necessitating the initiation of the aforementioned restructuring actions.

## ['Chipping Away At My Soul': Insiders Detail the Decline and Fall of Corinthian's For-Profit College Empire](#)

**David Dayen, Huffington Post, 6/4**

## [Rebooting the Career College](#)

**Doug Lederman, Inside Higher Ed, 6/4**

The [Educational Credit Management Corporation] purchase of Corinthian campuses generated scorn from some critics of for-profit colleges and advocates for student loan borrowers when it was originally announced in November, despite the fact that federal agencies -- including those charged with protecting consumers -- heralded the deal as the best possible outcome (even if the pickings were slim) for students and the government.

## [Takano holds loan clinic, slams for-profit colleges](#)

**Mark Muckenfuss, The Press Enterprise, 5/31**

Congressman Mark Takano, D-Riverside, made it clear Saturday, May 30, that he has little love for for-profit colleges. "We need to get Wall Street out of education," Takano said referring to the large companies behind many for-profit colleges. "These institutions are just trying to better themselves. They spend more money on marketing than on educating students."

According to an American Public Media report, the largest of for-profit colleges, University of Phoenix, spent \$1 billion on marketing in 2011, 23 percent of its revenue.

## [Warner, Connolly press Education Department on behalf of former Corinthian students](#)

**Augusta Free Press, 6/2**

## [Tighter Oversight of ITT](#)

**Mcihael Stratford, Inside Higher Ed, 6/1**

See [Statement from ITT Technical Institute: "Day in Court Long Overdue for ITT Tech"; Durbin to ITT Tech: Stop The Hypocrisy & Give Students Their "Day In Court"](#), and [statement from ITT Technical Institute to Senator Durbin](#)

## [Rep. John Kline says he is in favor of loan forgiveness for Corinthian students](#)

**Allison Sherry, Star Tribune, 6/1**

## [For-Profit College Settles Complaint over Claims about Credits and Degrees](#)

**Andy Thomason, The Chronicle of Higher Education, 5/26**

## [Don Graham funnels scholarship money to for-profit Kaplan U](#)

**Michelle Celarier, New York Post, 5/28**

## [Scholarship Started by Donald Graham Sends Donor Money to Graham's For-Profit College](#)

**David Halperin, Huffington Post, 5/31**

## SYSTEMIC RISK



### [Bank Runs Are Good, Says Cato Director](#)

Lauren Windsor, Undercurrent (video), 6/4

### [Dodd-Frank Law Comes Under Fire From Private Equity Executives](#)

Ayesha Javed, Wall Street Journal, 6/3

### [Top US fund managers attack regulators](#)

Barney Jopson, CNBC/Financial Times, 6/1/15

Marcus Stanley of **Americans for Financial Reform**, a group that wants tougher regulation of Wall Street, said: "It's very clear that asset management activities can create systemic risk. I don't think there should be any debate about that. The question is how best to address it."

He said asset management was closely tied to the devastating 1987 stock market crash, the collapse of the hedge fund Long Term Capital Management in 1998, and the panic that spread through short-term money market funds in the last crisis.

### [Democrats line up behind targeted Dodd-Frank tweaks](#)

Peter Schroeder, The Hill, 6/3

As the two parties have duked it out over the future of Dodd-Frank, Democrats are hoping a unified approach can lend heft to their effort to keep the law largely intact, while making small changes to help small banks and credit unions.

### [Democrats Offer Own Version of Banking Regulation Bill](#)

Victoria McGrane, Wall Street Journal, 6/3

### [Limit Highly Leveraged Loans Wherever They Originate](#)

Eileen Appelbaum, 6/2

Regulatory agencies' failure to limit leverage is widely understood to have [contributed to the recent financial crisis](#). It is a mistake that regulators do not want to repeat... [Private equity] funds typically use very high levels of debt—so-called leveraged loans—to take over a company in a leveraged buyout. And these limits on excessive bank lending [put a crimp](#) in the PE model. PitchBook PE News reported on May 22 that “deals financed above 6.0 [times] have dropped significantly” since 2014. But that situation may be about to change.

To the consternation of the [Financial Stability Oversight Council](#) (FSOC), affiliates of PE firms such as KKR & Co. and Apollo Global Management [are now getting into the business of making leveraged loans](#)—mainly to PE funds bent on

loading up the companies they acquire with debt. “Safe and sound leveraged lending activities” by banks are being circumvented by risky leveraged loans from unregulated nonbank entities that often have ties to PE firms and are not subject to supervision by bank regulators. However, these nonbank lenders get the funds they lend out in part by borrowing from banks, putting the banks at risk if the economy falters and companies with excessive debt default on these leveraged loans.

### [Financial Regulators Find Heightened Risks in Lending Behavior](#)

Grayson C. Weeks, RegBlog, 6/4

## TRADE AND TPP

### [Waters Urges President Obama to Keep U.S. Financial Reforms Out of TPP](#)

Press Release, Rep. Maxine Waters (CA), 6/4

## OTHER TOPICS

### [The Future of Wall Street Regulation Is in Andrew Cuomo's Hands](#)

David Dayen, New Republic, 6/1

New York Governor Andrew Cuomo must soon appoint a replacement superintendent for the state Department of Financial Services (DFS), an obscure regulatory position that the current head, Benjamin Lawsky, elevated into a major national player over the past four years.

Unfortunately, most of the names floated for the job—with one key exception—seem to herald a step backward from Lawsky’s aggressive approach. They include a defender of the student loan industry, a prosecutor reluctant to prosecute, and a former executive at mega-bank JPMorgan Chase.

### [Inequality Troubles Americans Across Party Lines, Times/CBS Poll Finds](#)

Noam Scheiber and Dalia Sussman, N.Y. Times, 6/3

### [Rick Perry Hates Regulation So Much That He Might Shoot It With The Gun He Keeps in His Jogging Shorts](#)

Thornton McEnery, Dealbreaker, 6/4

For Wall Street, one thing that can be easily divined from looking at Perry’s years in Austin is that he is fiercely opposed to regulation. And we’re not talking just sissy regulation like the CFPB or Glass-Steagall either. We’re talking about ANY kind of regulation... seriously.

### [Lloyds Bank Is Said to Face Potential Fine Over Handling of Insurance Complaints](#)

Chad Bray, N.Y. Times, 6/4

### [States Aim to Intensify Checks of Barred Brokers](#)

Julie Steinberg, Wall Street Journal, 6/4/15

State regulators are planning to tighten scrutiny of brokers barred from the securities business to help identify and police those who continue to sell other products such as insurance.