

# AMERICANS FOR FINANCIAL REFORM

## This Week in Wall Street Reform | May 16-22, 2015

Please share this weekly compilation with friends and colleagues.  
To subscribe, email [erin@ourfinancialsecurity.org](mailto:erin@ourfinancialsecurity.org), with "This Week" in the subject line.  
Archive of past issues [posted here](#).

### ATTACKS ON DODD-FRANK

#### [Despite the Lessons of the Financial Crisis, Putting America's Economy at Risk Again](#)

Phil Angelides, *Huffington Post*, 5/20/15

As Chair of the Financial Crisis Inquiry Commission, I devoted almost two years to studying the causes of the financial crisis of 2007-2009 which devastated our economy, wiped away nearly \$11 trillion in household wealth, and cost over 8 million jobs. Our commission heard from more than 700 witnesses and reviewed millions of pages of documents in reaching this central conclusion: the crisis was an avoidable tragedy. Regulators and policymakers ignored widespread warnings about mounting risks as bank executives recklessly pursued illusory short-term profits to reap huge bonuses while driving their firms, and the financial system, over the cliff.

With the passage of the Dodd-Frank Act in 2010, we took a major step toward preventing these kinds of financial catastrophes in the future. That's why it's so disturbing to see that the new Congress is already seeking to roll back and weaken crucial parts of the legislation, including many that are directly responsive to our commission's findings concerning the causes of the financial crisis.

#### [Financial Reform Bill Would Reopen Door to Predatory Lending](#)

Jim Carr and Julia Gordon, *American Banker*, 5/20/15

#### [Protect Vulnerable Home Buyers](#)

Editorial, *NY Times*, 5/20/15

The rollback of safeguards for mobile-home buyers is not the only objectionable measure in the Senate bill, which would also weaken many other recent financial reforms. But it is the most glaring in the way it would put profits from predation above protections for consumers. With Republicans apparently determined to pass the bill, it will be up to Democrats to stand up for consumer protection in committee and on the Senate floor.

#### [Moderate Dems to oppose Shelby's finance bill](#)

Kevin Cirilli, *The Hill*, 5/20/15

#### [Senate Democrats Counter-Offer GOP on Financial Regulation Bill](#)

Ryan Tracy, *Wall St. Journal*, 5/19/15

#### [Senate Democrats counter Republican's bank regulation bill](#)

Michael Flaherty, *Reuters*, 5/19/15

#### [Dodd-Frank Rollback Bill Advances in Senate](#)

Melanie Waddell, *ThinkAdvisor*, 5/21/15

Sen. Elizabeth Warren, D-Mass., stated that ‘the last thing we should be doing is what’s in the chairman’s bill — making it harder for the Fed to supervise banks and making it easier for banks to offer risky mortgages.’

**Americans for Financial Reform** stated that the bill is ‘fundamentally misconceived: while its proponents claim to be focused on the needs of small community banks, the substance of the bill reads more like a deregulatory wish list for big banks and other large financial players.’

**AFR** stated that a ‘disturbing number of lawmakers are once again willing to act as shills for Wall Street and its discredited deregulatory agenda,’ adding that it’s “unlikely that this dangerous bill or anything like it will become law.”

[Panel moves to weaken Dodd-Frank](#)

Jim Puzzanghera, LA Times, 5/21/15

[Senate Banking Committee Adopts Financial-Regulation Bill in Party-Line Vote](#)

Ryan Tracy, Wall St. Journal, 5/21/15

[Senate Dems unveil competing Dodd-Frank tweaks](#)

Peter Schroeder, The Hill, 5/19/15

See letters from [Americans for Financial Reform and 23 organizations](#), [Leadership Conference on Civil and Human Rights](#), [CFA](#), [CAP](#), and [NCLC and 57 other groups](#).

[Is Dodd-Frank Really Under Attack?](#)

Douglas Holtz-Eakin, Huffington Post, 5/21/15

[Hillary Clinton Adopts Romney’s Position on Dodd-Frank, at Odds with Elizabeth Warren](#)

Editorial, Washington Free Beacon, 5/19/15

[Hillary talks tough on Wall Street regulation](#)

MJ Lee, CNN 5/19/15

Excerpts from Hillary Clinton meeting with small business owners in Iowa: “We can ease these burdens for community banks without harming consumers, and without letting up one bit on Wall Street... [W]e should pass common-sense community banking reform right now. However, the Republicans in the Congress insist on using this issue to give relief to community banks as a Trojan horse for rolling back protections for consumers and rolling back the rules on the biggest banks, as we’re seeing right now in legislation that Republicans are introducing.

We should call this what it is, a cynical attempt to game the system for those at the top.

[5 questions for Hillary Clinton on Wall Street](#)

MJ Lee, CNN, 5/22/15

"The financial transaction tax is really a terrific way to change the incentives and shift them away from unproductive high speed trading, more towards investing in businesses that are growing and creating good jobs," said the AFL-CIO's Heather Slavkin-Corzo...

“A candidate could both support legislative change and tie commitments to that to how they’re thinking about appointments,” said Lisa Donner, executive director of **Americans for Financial Reform**. Donner added that it’s also important what kind of economic advisers candidates surround themselves with.”

[Keep the line bright in Dodd-Frank](#)

Editorial, Washington Post, 5/19/15

## **CONSUMER FINANCE & CFPB**

### **[Members of Congress Call on the Consumer Financial Protection Bureau to Issue a Strong Rule to Prohibit Use of Forced Arbitration](#)**

Ashlee Kieler, The Consumerist, 5/21/15

### **[Sen. Franken Leads Broad Coalition of Democratic Lawmakers in Fight to Outlaw Unfair Consumer Contracts](#)**

Press release, Senator Al Franken, 5/21/15

See [letter](#) from more than 50 members of Congress, and related [statement](#) by Public Citizen, National Association of Consumer Advocates, Americans for Financial Reform, and National Consumer Law Center.

### **[Why the CFPB Found PayPal's Conduct 'Abusive'](#)**

Jenna Green, The National Law Review, 5/19/15

When are a company's actions not just unfair and deceptive, but also abusive? A new case against PayPal Inc., which will pay \$25 million to settle charges that the company illegally signed up consumers for unwanted credit, sheds light on a murky legal standard created by the Dodd-Frank Act.

The Consumer Financial Protection Bureau on Tuesday filed a lawsuit and proposed consent decree against PayPal in Maryland federal district court. The agency alleged the online payment processor deceptively advertised a product known as PayPal Credit, signed up consumers without their permission, made them use PayPal Credit for purchases rather than their preferred method of payment and mishandled billing disputes. "This kind of conduct has no place in the consumer financial marketplace," Richard Cordray, the consumer protection bureau's director, told reporters Tuesday.

### **[Federal consumer protection bureau goes after PayPal for \\$25 million](#)**

Trey Williams, MarketWatch, 5/19/15

### **[Credit errors should be fixed faster under new agreement with 31 states](#)**

Jill Riepenhoff, The Columbus Dispatch, 5/20/15

### **[A Start-Up That Makes Loans Based on Loyalty When Banks Will Not](#)**

Stacy Cowley, New York Times, 5/20/15

### **[The Road Ahead for Postal Financial Services](#)**

Inspector General USPS, RARC Report # RARC-WP-15-011, 5/21/15

### **[Postal Banking Lite: Expanded Remittances, Check Cashing](#)**

Kevin Wack, American Banker, 5/21/15

### **[Federal payday rules helpful, but W.Va. should keep its stronger laws](#)**

David McMahon, the Charleston Gazette, 5/19/15

### **[Jury Awards KC Woman \\$83 Million In Debt Collection Case](#)**

Dan Margolies, KCUR, 5/14/15

### **[Judge challenges Sprint, CFPB's \\$50M 'mobile cramming' settlement](#)**

Ashley Jost, Kansas City Business Journal, 5/20/15

### **[Cruz: No agency should target businesses for political purposes](#)**

The Friendswood Journal, 5/15/15

### [New federal rule targets student bank accounts](#)

**Linda Wheeler, The Hill, 5/15/15**

A Department of Education proposal to regulate which bank accounts can be marketed to students has members of the financial industry crying foul.

The proposed rule, released Friday, aims to protect students receiving financial aid from bank accounts with high user and overdraft fees, but the Consumer Bankers Association said the banking industry is already heavily supervised by a number of regulators that specialize in financial products.

### [Senator Perdue: Rogue CFPB creates new rules and regulations at whim](#)

**Housing Wire, 5/19/15**

A U.S. Senator introduced a bill Tuesday that would greatly rein in the power and budget of the Consumer Financial Protection Bureau. U.S. Senator David Perdue (R-Ga.), introduced the “Consumer Financial Protection Bureau Accountability Act of 2015” which is a companion bill to one introduced by U.S. Rep. Sean Duffy (R-Wis.)...

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

### [#GDTRM15: Latest on derivatives markets' risk and regulation](#)

**Automated Trader, 5/20/15**

The major hang-ups include items such as gross posting, meaning the clearing member must post for each customer, without any netting. The result is that US clearinghouses receive more, sometimes much more, collateral than under net posting. [The US wants it, Europe doesn't.](#)

## **ENFORCEMENT**

### [Global banks admit guilt in forex probe, fined nearly \\$6 billion](#)

**Karen Freifeld, David Henry, and Steve Slater, Reuters, 5/20/15**

Four major banks pleaded guilty on Wednesday to trying to manipulate foreign exchange rates and, with two others, were fined nearly \$6 billion in another settlement in a global probe into the \$5 trillion-a-day market.

### [Guilty Pleas and Heavy Fines Seem to Be Cost of Business for Wall St.](#)

**Peter Henning, New York Times, 5/20/15**

### [Bankers from major institutions still haven't been held responsible for financial crash](#)

**Alison FitzGerald, The Center for Public Integrity, 5/22/15**

Three months ago, then-Attorney General Eric Holder gave his prosecutors 90 days to determine whether they could charge individual Wall Street executives with crimes related to the 2008 financial crisis.

“I’ve asked the U.S. attorneys ... over the next 90 days to look at their cases and to try to develop cases against individuals and to report back in at 90 days with regard to whether or not they think they’re going to be able to successfully bring criminal and or civil cases against those individuals,” Holder said in a Feb. 17 speech at the National Press Club.

Holder is gone now, and this week that deadline passed. The Justice Department, however, is dodging questions about the former attorney general’s pledge.

### [Are We Done with Sweetheart Deals for Too Big Banks?](#)

**Rena Steinzor, Center for Progressive Reform, 5/21/15**

[T]he striking thing about the announcement was that the new Attorney General extracted something truly unusual: guilty pleas from these large corporations. Her predecessor, Eric Holder, famously settled time and again for “deferred prosecution agreements,” no matter how egregious the corporate crimes. Such deals collected large amounts of money but omitted the crucial element of an admission of guilt, and the accompanying payments were no more or less than a cost-of-doing-business tax for corporations that already don’t pay enough into the public fisc. In the process, one

primary goal of the criminal justice system—expressing society’s condemnation of immoral behavior—flew right out the window

### [Megabanks Fined \\$2 Billion For Criminal Activity, Will Be Able To Continue Business As Usual](#)

Alan Pyke, ThinkProgress, 5/21/15

### [What these banks did is an outrage, but criminal charges won’t hurt them](#)

Allan Sloan, Washington Post, 5/21/15

### [Bank CEO to bankers: Where are your values?](#)

Keith Mestrich (CEO of Amalgamated Bank), CNNMoney, 5/22/15

Today the Justice Department announced guilty pleas and fines of over \$5 billion from five of the biggest banks for a scheme to manipulate the foreign exchange markets. At Amalgamated we believe that banks have a legal -- and moral - responsibility to protect everyday consumers from risky deals, not purposefully manipulate the system for personal enrichment. We have repeatedly called for strict enforcement of Dodd-Frank and increased transparency and accountability of all banking institutions. This latest example of truly appalling banking malfeasance makes action on this front all the more important.

## **EXECUTIVE COMPENSATION**

### [The Factors that Lead to High CEO Pay](#)

Gretchen Gavett, Harvard Business Review, 5/22/15

Unsurprisingly (but importantly), locations with low CEO pay tend to have strong collective labor rights, a strong welfare state, and less power distance across the board.

There’s evidence, Greckhamer explained over email, that countries that both empower workers and culturally reject inequality constrain CEO pay. This, he says, showcases the vital importance of “political forces” – government policies or strong unions, for example – when it comes to executive pay.

### [Shareholders are less and less happy about JPMorgan’s executive pay](#)

Jena McGregor, Washington Post, 5/19/15

### [Shareholders’ Votes Have Done Little to Curb Lavish Executive Pay](#)

Gretchen Morgenson, New York Times, 5/16/15

## **FEDERAL RESERVE SYSTEM**

### [Bernanke trains his guns on Elizabeth Warren](#)

Chris Matthews, Fortune, 5/15/15

## **INVESTOR PROTECTION & THE SEC**

### [SEC proposes rules requiring more fund disclosure, including on derivatives](#)

Meaghan Kilroy, Pensions and Investments, 5/20/15

### [SEC Proposes That Bond Funds Disclose Risk of Interest Rate Rise](#)

David Michaels, Bloomberg, 5/20/15

### [Investors press SEC on ‘dark money’](#)

Tim Devaney and Lydia Wheeler, The Hill, 5/20/15

Dozens of investor groups are calling on the Securities and Exchange Commission (SEC) to rid politics of so-called dark money from corporations by requiring them to disclose political spending.

“How can we know whether companies in which we invest are making questionable or controversial political expenditures, when they are not mandated to disclose them?” asked Ellen Dorsey, executive director of the Wallace Global Fund, which, along with more than 70 other foundations sent a letter to SEC Chairwoman Mary Jo White.”

### [The Agency That Barely Moves](#)

**David Michaels and Robert Schmidt, Bloomberg, 5/21/15**

As the Justice Department, Federal Reserve, and other regulators across the globe prepared the final details of a multibillion-dollar criminal settlement with five Wall Street banks over currency rate rigging, all eyes were on one agency that had the power to throw a wrench into the entire deal. Though a bit player in the negotiations, the politically divided Securities and Exchange Commission had to approve waivers each bank needed to continue to do normal business.

The pressure on SEC Chair Mary Jo White was almost palpable, two people involved in the negotiations say, as defense lawyers and prosecutors barraged her staff with inquiries and fellow commissioners weighed in with threats to vote against some of the waivers. Determined not to let the squabbling scuttle the broad settlement, White called a private commission meeting on May 19, when all the waivers were approved. The settlements were announced the next day.

It was a rare victory for White, whose two-year tenure heading the securities regulator has been marked largely by discord and paralysis rather than accomplishments.

See [May 21<sup>st</sup> statement](#) by SEC Commissioner Kara Stein on granting of waivers to firms found guilty of manipulating foreign exchange rates.

### [Investors challenge proposed CSA regulation](#)

**Tim O’Halloran, Automated Trader, 5/15/15**

## **MORTGAGES & HOUSING**

### [Buffett’s mobile-home business has most to gain from deregulation plan](#)

**Mike Baker, The Seattle Times, 5/17/15**

Warren Buffett’s mobile-home business wants Congress to curtail recent consumer safeguards put in place after the financial crisis, saying a rollback is necessary to ensure that competing lenders continue to provide loans. But, in reality, the deregulation plan that recently passed the U.S. House would be a boon almost exclusively for Buffett’s Clayton Homes, according to an analysis of 2013 federal loan data by The Seattle Times. Based on interest rate levels from that year, Clayton controlled 91 percent of the market segment set to be deregulated.

## **MUNICIPAL FINANCE**

### [Mayor Rahm channels his inner Karl Marx](#)

**Ben Joravsky, Chicago Reader, 05/15/15**

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

### [Labor extends comment period for financial adviser rule](#)

**Kevin Cirilli, The Hill, 5/15/15**

After facing bipartisan congressional backlash on the proposal, the agency is extending the public comment period for the so-called fiduciary rule by 15 days.

## **STUDENT LOANS & FOR-PROFIT EDUCATION**

### [What the Department of Education can learn from the foreclosure crisis](#)

**Rep. Maxine Waters, The Hill, 5/18/15**

The foreclosure and the student debt crises are similar in a lot of ways – in both, we saw the targeting of minority communities and service members; high-pressure sales tactics mixed with financial products that many families didn’t

understand; poorly regulated industries run amok while regulators allowed clear problems to grow; and, in the end, we saw devastating harm caused to both families and to the taxpayer.

But this time, the Department of Education has the chance to do better. Now is the time for them to heed that lesson and provide broad-based relief to students.

[Minorities and poor college students are shouldering the most student debt](#)

Danielle Douglas-Davis, The Washington Post, 5/19/15

[Defrauded Student Loan Borrowers Face Potential Obama Administration 'Boondoggle'](#)

Shahien Nasripour, Huffington Post, 5/18/15

Defrauded student loan borrowers seeking relief from the Obama administration are confronting an Education Department process that a senior House Democrat compared to the government's bungled response to the mortgage robo-signing crisis that shook the U.S. housing market.

[Stressed out by student debt](#)

Rohit Chopra, Milwaukee Journal Sentinel, 5/14/15

Soon after graduation, borrowers must begin to pay companies known as student loan servicers. These companies are the critical link between the borrowers and the lenders. They are expected to provide clear information on billing, keep accurate records, process payments and offer options to borrowers to avoid default when they hit a rough patch.

For many people, cutting through the company red tape to pay back their student loans is daunting and discouraging. Borrowers report that they are running into repayment roadblocks at every stage of the process: put on hold, transferred from one employee to the next and then given the runaround when trying to make good on their loans.

[In Court, For-Profit Colleges Demand End to Gainful Employment Rule](#)

David Halperin, Huffington Post, 5/20/2015

[As Scrutiny Intensifies, For-Profit Colleges Face Threats on Several Fronts](#)

Kelly Field, Chronicle for Higher Education, 5/18/15

[The close ties between a for-profit college and its watchdog](#)

Michael Vasquez, Miami Herald, 5/17/15

[If for-profit colleges won't clean up their act, state must](#)

Editorial, Palm Beach Post, 5/19/15

[Education Dept. Readies Debt-Forgiveness Plan for Ex-Corinthian Students](#)

Kelly Field, Chronicle of Higher Education, 5/20/15

[Skin in the game could incentivize colleges to keep costs down](#)

Jennifer Wang, The Hill, 5/20/15

[Why ITT Educational Services' Equity Is Worthless](#)

Max Vision, Seeking Alpha, 5/19/15

[Who's watching the for-profit college industry?](#)

Editorial, Palm Beach Post, 5/20/15

[Senator Calls For Investigation Into Three For-Profit College Chains, Restrictions On Future Campus Sales](#)

Ashlee Kieler, Consumerist, 5/19/15

## SYSTEMIC RISK

### [Wall Street Is Back, Almost as Big as Ever](#)

Neil Irwin, *The New York Times*, 5/18/15

[O]verall measures of the financial sector's role in the economy suggest that — even as some individual firms and former Wall Street titans have been on their heels — the financial industry as a whole is nearly as large as it has ever been.

The industry's recovery is strong and broad enough to suggest that the great financial crisis of the early 21st century will have an effect different from that of its 20th-century counterpart. In the aftermath of [the Great Depression](#), the nation's finance industry shrank severely — and remained in a humbled state for most of the next four decades. The economy boomed in this period, with no major financial crises and less income inequality than in recent decades.

This time, Wall Street has largely returned to a state more reminiscent of the go-go 2000s than of the middle decades of the 20th century. Average pay per full-time worker in the securities industry averaged 2.2 times that of the average American worker for the 70 years that ended in 1999 and peaked at 4.2 in 2007. It has rebounded to 3.6 times as high in 2013, and looks likely to have risen further since then.

### [Many on Wall Street Say It Remains Untamed](#)

Andrew Sorkin, *The New York Times*, 5/18/15

The past several years have been filled with headline-grabbing legal settlements by financial services firms — \$11 billion here, \$5 billion there. Most of them involved conduct that took place before the 2008 crisis. Virtually every major Wall Street firm has pledged to redouble its efforts to instill an ethical culture. And virtually all the large firms said that if there was bad behavior, it is behind them.

Well, it isn't. A [new report](#) on financial professionals' views of their industry paints a troubling picture. Rather than indicating that Wall Street has cleaned itself up, it suggests that many of the lessons of the crisis still haven't been learned. And the mind-boggling settlement numbers, as well as stringent new rules, like the of Dodd-Frank regulatory overhaul in 2010, appear to have had little deterrent effect.

### [What Wall Street Advisers Have To Say About Ethics In Their Industry](#)

Alan Pyke, *ThinkProgress*, 5/19/15

### [Top US regulators warn of new threats to financial system](#)

Martin Crutsinger, *AP*, 5/19/15

### [Regulators Point to Risks From Rapid-Fire Trading, Clearing](#)

Ryan Tracy, *AP*, 5/19/15

### [Government Warns of Systemic Risks It Created](#)

James Freeman, *Wall St. Journal*, 5/21/15

## TRADE AND TPP

### [Obama vs. Warren over TPP: Once More, with Feeling](#)

Joseph P. Williams, *US News*, 5/20/15

Though she may have lost the first skirmish with President Barack Obama over the sweeping Trans-Pacific Partnership trade deal, Sen. Elizabeth Warren's not conceding the war, despite predictions that it's going to be uphill from here on out. On Monday, Warren's office released a report, "[Broken Promises: Decades of Failure to Enforce Labor Standards in Free Trade Agreements](#)," which catalogues "two decades of failed [U.S.] enforcement" of labor and environmental standards in trade deals.

The White House pushed back with a "that was then" defense: Press secretary Josh Earnest said the TPP is going to be way different than NAFTA, CAFTA and the rest of the -AFTAs Warren cites. Warren kept up the pressure, though: She followed up the white paper by introducing an amendment that she says would safeguard the Dodd-Frank Wall Street reforms from TPP undermining, but the White House — natch — says it would do exactly the opposite. Now, Warren has



teamed up with Sen. Joe Manchin, a West Virginia Democrat (or Democrat In Name Only, depending on whom you talk to) to push a bill that requires trade negotiations to be transparent and accessible. Your move, Mr. President.

### [Warren Wants Dodd-Frank Protections in Trade Bill](#)

Joseph P. Williams, US News, 5/19/15

### [Elizabeth Warren is right: Trade Promotion Authority bill could help roll back financial regulations](#)

Simon Johnson, The Conversation, 5/18/15

### [Elizabeth Warren Proposes Change to Trade Bill to Protect Dodd-Frank Rules](#)

Mike Dorning, Bloomberg, 5/18/15

### [Let the Public Read the Completed Parts of the Trans-Pacific Partnership](#)

Dave Johnson, Huffington Post, 5/19/15

## OTHER TOPICS

### [Hedge fund managers stung by 'class warfare' rhetoric](#)

Laurence Delevingne, CNBC, 5/22/15

Hedge fund investments are finally outperforming, but the public image of their managers is taking a beating. [President Barack Obama](#) called the group "[society's lottery winners](#)" last week, noting that the top 25 earning hedge fund managers made more in 2014 (\$11.6 billion) than the roughly 158,000 kindergarten teachers in the U.S. did combined (\$8.5 billion).

Presidential hopeful [Hillary Clinton](#) cited the same statistic in joining Obama's call for ending [carried interest tax treatment](#), echoing what she said in her first campaign speech: there's "[something wrong](#)" when "hedge fund managers pay lower tax rates than nurses or the truckers..."

One prominent investor—who, like others, asked to remain anonymous given the divisive subject—called the rhetoric "class warfare" and noted other times in history, including before World War II, when financial speculators were unfairly blamed by politicians. "Instead of the Jews, it's the hedge fund managers," the person said.

### [Bernie Sanders Wants to Make College Tuition Free. Here's Why We Should Take Him Seriously.](#)

Jordan Weissman, Slate, 5/19/15

### [GOP senator wants to create panel to rein in regs](#)

Lydia Wheeler, The Hill, 5/20/15