CONSUMER FINANCE & THE CFPB

Few in Congress Willing to Defend Payday Lenders from CFPB
Gabe Rubin, Morning Consult, 8/20
Payday lenders are bracing for forthcoming regulations from the Consumer Financial Protection Bureau, and few in Congress are stepping up to defend the industry…

“Reforms for lending have a lot of public support,” Tom Feltner, Director of Financial Services at the Consumer Federation of America, said in an interview Thursday. “The bureau has done an exceptional job documenting how short-term credit turns into a long-term problem.”

Payday Lenders Struggle to Fight CFPB
Elizabeth Peace, Credit Union Times, 8/21
As payday lenders plead to members of Congress for help in handling the potential onslaught of regulations from the CFPB, it appears few are willing to come to the industry’s defense…

Arlington council studies two-prong approach to payday lenders
Public News Service, 8/24

How to handle a financial emergency
Christian Science Monitor, 8/24

Treasure Valley program aims to wean people from payday lenders
Idaho Statesman, 8/27

Iowans lead effort to Limit CFPB
Mike Litt, Letter to Editor, Des Moines Regsiter, 8/26
The Consumer Financial Protection Bureau was created by Congress and is the crowning achievement of Wall Street reform. The CFPB has already returned nearly $11 billion to more than 26 million consumers cheated by Wall Street and other financial companies. Additionally, it is taking complaints from financial consumers who have been wronged. Complaints can be filed at: www.consumerfinance.gov/complaint. 1,739 Iowans have filed complaints so far.

It’s therefore disappointing that a couple members of Congress from Iowa are leading the effort to keep the CFPB from doing its job. In particular, Congressman David Young, who is a member of the Committee on Appropriations, voted a spending bill out of committee that would strip the CFPB of its independent funding from the Federal Reserve and leave it up to Congress. How much money would Congress, which received nearly half a billion dollars in contributions from the financial sector from the 2013-2014 campaign cycle, decide to budget for this watchdog?

On-line lender expands into NM
Rosalie Rayburn, Albuquerque Journal, 8/25
DERIVATIVES, COMMODITIES & THE CFTC

Stiffer Capital Rules for Retail Currency Dealers Backed by CFTC
Silla Brush, Bloomberg, 8/27

DODD-FRANK

Is Regulation the Reason Liquidity Is So Unstable?
John Heltman, American Banker, 8/24

[F]iguring out a definitive answer about how Dodd-Frank is contributing to alleged illiquidity is challenging. Consumer groups are deeply skeptical of the debate, arguing it is just a talking point for the regional and big banks to weaken Dodd-Frank. "It's basically an attempt to put up a sort of fog of complicated technical terms around industry's desire to reverse pretty basic financial reforms," said Marcus Stanley, policy director for public advocacy group Americans for Financial Reform.

"There's no academic consensus on any single best way to measure [liquidity] ... so you can raise it as this boogeyman in a way that is not really particularly connected to the substantive issues."

EXECUTIVE PAY

These CEOs earn more than 200 times their workers
CBS MoneyWatch, 8/25

The chief executives of some of America's biggest corporations earn an average of 204 times the pay of their median workers, according to a Glassdoor analysis of regulatory filings and self-reported salaries by employees at those companies (see chart at bottom).

The career services firm analyzed the data in anticipation of new U.S. Securities and Exchange Commission rules that will require every public U.S. company to disclose the ratio between the pay of their CEO and median worker.

FINANCIAL TRANSACTION TAX AND HIGH-FREQUENCY TRADING

Historic Profits for High-Frequency Trading Firm Today
Bradley Hope, Wall. St. Journal, 8/24

Virtu Financial Inc., one of the world's largest high-frequency trading firms, was on track to have one of its biggest and most profitable days in history Monday amid a tumultuous 24 hours for world markets, according to its chief executive. “Our firm is made for this kind of market,” said the CEO, Douglas Cifu.

Virtu and other such trading firms, along with exchanges, emerged as early beneficiaries of the heightened volatility and volume caused by investor unease over China's economy and a growing belief that the U.S. Federal Reserve might not raise interest rates at its meeting next month.

Reckless (mis)behavior and the need for Wall Street reform
Lisa Gilbert, The Hill, 8/28/15

A risky behavior that Dodd-Frank didn't address is high-frequency trading, in which high-speed traders use turbocharged technology to beat out their competitors at the expense of average investors. The need to address this has taken center stage over the past several years after the acknowledgment that high-frequency trading worsened the 2010 Flash Crash and helped cause the markets to spin out of control. High-frequency trading also has clearly exacerbated the turbulent markets we've seen over the past few days, with high-speed trading firms making a killing off of rocky markets.

The solution: a small tax on Wall Street transactions.
Stock Market Mayhem Renews Calls For Controversial Financial Transaction Tax
Maria Gallucci, International Business Times, 8/27

Automated, computer-based trading accounts for roughly half today's trade volume, exposing the markets to increasing instability, critics claim. "The algorithms are locked into approaches that exaggerate the swings in the market," said James Henry, an adviser to the Tax Justice Network and a senior fellow at Columbia University’s Center for Sustainable International Investment. In the wake of this week's market mayhem, Henry and others are renewing their calls for a financial transaction tax that they say would make for more thoughtful trading--and bring in much-needed federal revenue. On Wall Street, it could mean a tax on every trade.

HEDGE FUNDS AND PRIVATE EQUITY FUNDS

There's No Good Reason to Mimic a Hedge Fund
Noah Smith, Bloomberg, 8/21

Everyone seems to be talking about this paper by Mikhail Tupitsyn and Paul Lajbcygier of Monash University in Australia. The paper is about hedge funds. Gawker writer Hamilton Nolan and Vox writer Matt Yglesias both say that the upshot of the paper is that hedge funds are a scam.

Despite Large Payouts, Private Equity Funds Launched in Last Decade Fail to Beat the Stock Market
Eileen Applebaum, CEPR Blog, 8/27

Trump Turns Fire on Hedge Fund Managers
Barney Jopson, CNBC, 8/24

Donald Trump on Sunday turned his fire on hedge fund managers, calling them "paper-pushers" who do not pay their fair share of tax, in the latest attack of his bombastic presidential campaign... Mr Trump ... indicated he would close a loophole that lets hedge fund and private equity managers pay taxes at a lower capital gains rate instead of as income tax. ... The billionaire’s comments add a new dimension to his unorthodox campaign because support for ending the so-called 'carried interest loophole' stretches across party lines, encompassing conservatives as well as Democrats...

"Corporate Governance and Hedge Fund Activism"
Shane C. Goodwin, University of Texas at Dallas (Report), August 2015

INVESTOR PROTECTION AND THE SEC

DC Circuit Spurns GOP Challenge to SEC Pay-to-Play Rule
Brian Svoboda, PerkinsCole Law & Politics Update, 8/25

MORTGAGES AND HOUSING

Banks get credit for helping the poor – by financing their evictions
David Dayen, The Intercept, 8/24

Banks get credit for lending and investment in their assessment area, but for the most part don’t get demerits for activities that harm those communities. For example, banks fund payday lenders, having provided nearly $5.5 billion in lines of credit over the past several years.

Big banks also write loans to institutional investors who purchased over 130,000 distressed single-family homes to convert into rental properties, which tenants report have significant maintenance problems and poor customer service. Yet these practices that damage poor communities do not factor into a bank’s overall CRA score.
POLITICAL INFLUENCE OF WALL STREET AND THE REVOLVING DOOR

Elizabeth Warren allies demand answers from Clinton on Wall St. ties
Gabriel Debenedetti, Politico, 8/26/15
Eight liberal political groups are resuming pressure on Hillary Clinton over her Wall Street policies on Wednesday, releasing a letter that asks whether she supports legislation to ban financial companies from giving workers large bonuses before they join the government. The letter specifically points to two of Clinton’s State Department aides who came over from the banking world.

“On behalf of our nine million supporters across the country, we are writing to request more information about your positions regarding the revolving door between Wall Street and the federal government,” reads a statement backed by Democracy For America, Rootstrikers, CREDO Action, MoveOn.Org Political Action, the Center for Popular Democracy Action, The Other 98%, Friends of the Earth Action, and American Family Voices.

The missive, which comes as Clinton interrupts her Hamptons vacation to unveil her rural policy platform in Iowa on Wednesday, specifically notes that Clinton has yet to support or comment on Sen. Tammy Baldwin’s Financial Services Conflict of Interest Act.

Will voters remember N.J. Rep. Scott Garrett's gay comments next fall?
Jonathan Salant, NJ.com, 8/23
Consumer advocate Ed Mierzwinski said Garrett is so popular with the financial industry because he supports their positions. A study by Americans for Financial Reform, a coalition of consumer organizations, community groups and unions, said Garrett voted against every pro-consumer bill in the last Congress.

"He is one of Wall Street's best friends in Congress," said Mierzwinski, consumer program director at the U.S. Public Interest Research Group, a member of the coalition.

Garrett's position on gay rights puts him at odds with the founder of the hedge fund that houses his biggest supporters. Elliott Management Corp. employees have donated $112,900, according to the Center for Responsive Politics.

More trouble for Clinton on the left: Liberal groups take her to task over Wall Street rules
Anne Gearan, Washington Post, 8/25

RETIREMENT SECURITY & FIDUCIARY DUTY RULE

Arthur Levitt: SEC Deadlocked on Fiduciary, Advisors Need DOL Rule
ThinkAdvisor, 8/21
The SEC will be “locked in a conflict on this [fiduciary rulemaking] issue for a long, long time,” Levitt said... The solution: "We should try to move ahead on the standard put forth by the Department of Labor... We have long passed the time that we can afford to have side by side, advisors with one set of responsibilities and brokers with a much easier set of responsibilities and standards."

DOL moving forward on new fiduciary standard
Hazel Bradford, Pensions & Investments, 8/24

Savers Oppose 'Fiduciary Rule' Obama Labor Department Claims will 'Protect' Them
John Berlau, American Spectator, 8/21

Confusion Over 401(K) Options Reduces Retirement Savings: Survey
Kelley Holland, NBCNews, 8/27
STUDENT LOANS & FOR-PROFIT EDUCATION

Corinthian Ruling Could Mean Loan Relief for Student Debtors
Goldie Blumenstyk, Chronicle of Higher Education, 8/28
The hundreds of thousands of students who attended the institutions of the now-defunct Corinthian Colleges Inc., are still on the hook to the federal government for billions of dollars in student loans. But a decision this week by a bankruptcy court could improve the chances that they won’t have to repay those loans, according to their lawyers.

That means the millions, or perhaps billions, lent to them by the government might never be repaid, although officials at the U.S. Department of Education said it was premature to speculate on how such legal actions might affect loan-relief requests. The U.S. bankruptcy court in Delaware approved the Corinthian liquidation plan on Wednesday.

Government Agencies Object to Corinthian Colleges Liability Releases
Stephanie Gleason, Wall St. Journal, 8/24
The U.S. Department of Education said in court documents Friday that the plan language amounts to a release of liability for Corinthian College, which is still facing lawsuits from state and federal agencies regarding the company’s allegedly deceptive marketing practices to students, among other issues. Corinthian has denied wrongdoing in these lawsuits.

Loan Discharge Challenges Emerge As Education Department Develops Process After Corinthian Collapse
Julia Glum, International Business Times, 8/24

11 states want feds to discharge Corinthian students’ federal debt
Jennifer Abel, Consumer Affairs, 8/21

New students should look closely at college-sponsored bank accounts and shop around
Seth Frotman & Rich Williams, CFPB, 8/26

WHISTLEBLOWER PROTECTION

Morgan Stanley hit with $20M whistleblower suit from ex-brokers
Mason Braswell, InvestmentNews, 8/27

OTHER TOPICS

Raising taxes on the wealthy? Calling out income inequality? Meet the new GOP.
Amber Phillips, Washington Post, 8/28
Republicans are striking an increasingly populist tone these days. On the presidential campaign trail, everyone from New Jersey Gov. Chris Christie to former Arkansas governor Mike Huckabee are decrying "reckless" big banks and the 1 percent "investor class." And then there's Donald Trump, who this week suggested he would raise taxes -- a third rail in the GOP if there ever was one -- on people who are wealthy like him, as well as hedge-fund managers.