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## AMERICANS FOR FINANCIAL REFORM

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### THIS WEEK IN WALL STREET REFORM AUGUST 16 - 29, 2014

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#### CONSUMER FINANCE AND THE CFPB

##### [Wall Street Launches "Pants-On-Fire" Attack on CFPB](#)

**Ed Mierzwinski, USPIRG, 8/19/14**

The Financial Services Roundtable is a powerful Wall Street lobby that spends millions of dollars annually ([OpenSecrets.org](http://OpenSecrets.org)) lobbying on behalf of the nation's "largest integrated" financial firms that comprise its membership. The 100-year old association has decided to try to use social media -- the web ([CFPB Rumors.com](http://CFPB Rumors.com)), twitter, and even ads in the Washington, DC subways -- in its newest attack on the CFPB.

##### [Big Finance's Ploy to Keep Consumers in the Dark](#)

**Jim Lardner, US News & World Report, 8/21/14**

The bureau has plainly said that it will continue forwarding every complaint to the appropriate company and giving the company 15 days to respond before a complaint is published. In addition, the bureau is now proposing to give both parties a chance to tell their stories, with the company's account posted directly alongside the consumer's.

You would never know this, however, from the massive media campaign launched on Monday by the Financial Services Roundtable, the trade association of the nation's biggest banks, insurance, asset management, finance and credit card companies. In a blitz of public statements, blog posts, social media messages and attack ads on the walls of the Washington Metro system, the Roundtable paints a menacing picture of "bureaucrats" posting baseless complaints and giving companies "little opportunity to respond," so that, as Roundtable CEO Tim Pawlenty wrongly put it, people see "only one side of the story." The Roundtable has created an entire mini-website based on this falsehood.

##### [Bank Lobby Website Trolls CFPB](#)

**Josh Eidelson, Bloomberg, 8/22/14**

##### [Push to End Predatory Payday Lending Gathers Steam](#)

**Gary Kalman, The Hill, 8/19/14**

Payday lenders are taking a beating of late. From the caustic segment on Last Week Tonight with John Oliver urging potential payday loan customers to do "literally anything else" in a cash crunch to recent news that a New York District Attorney charged a local payday lender with usury, the news has not put the industry in a positive light.

With the Consumer Financial Protection Bureau (CFPB) poised to issue rules to rein in abusive payday lending, the timing couldn't be better. What's clear now – to anyone following these developments – is that there is a real need for strong, robust oversight of the payday lending industry.

### **[Do Borrowers Really Need to Repay Online Loans? This Start-Up Says No](#)**

**Alan Zibel, Wall Street Journal, 8/27/14**

While some online lenders follow state-imposed interest-rate caps and licensing requirements, others argue they are exempt from state laws. These include offshore lenders and those owned by Indian tribes, which say they aren't subject to state law due to their sovereign status.

But Florida-based LoanReverse and its founder, Alex Shogren, say online lenders that fail to comply with state law are making illegal loans that consumers need not repay. Mr. Shogren says banks that deduct money from consumers' accounts on behalf of many online lenders have the responsibility to refund payments under a Federal Reserve regulation governing unauthorized money transfers.

### **[Inside the Practice of Collecting Money from Dead People](#)**

**Danielle Kurtzleben, Vox, 8/27/14**

The script had four goals: 1) be as warm and friendly as possible, while also 2) figuring out who in the family was handling the affairs of a decedent (legalese for a dead person), 3) seeing if there's an estate we could collect from, and 4) if not, seeing if the family was willing to pay the credit card balances decedents had left....

The practice of collecting on debts of the dead — and, really, collecting debts in general — has changed since I quit that job eight years ago, say some in the industry. This is in part a result of increased regulation and increased scrutiny on the deceased collection industry, largely from the Consumer Financial Protection Bureau.

### **[Magic Words: Words That Have the Power to Change Lives](#)**

**Transcript, This American Life (NPR), 8/15/14**

He said, 'Oh, well, when a consumer actually shows up in court and says the magic words, then these cases basically evaporate.' And I say, 'The magic words?' He says, 'Yeah. 'Show me the evidence.'"

### **[CFPB Settles Enforcement Action Against Another Debt Settlement Payment Processor](#)**

**Alan S. Kaplinsky, CFPB Monitor, 8/26/14**

According to the CFPB's complaint, since October 2010, Global processed tens of millions of dollars in allegedly illegal advance fees from tens of thousands of consumers on behalf of hundreds of DRCs across the country. The CFPB alleged that after a consumer enrolled in a debt relief program, the DRC would instruct the consumer to stop making payments to creditors and instead make payments to Global for deposit in a custodial account. The CFPB claimed that at the time Global transmitted advance fees to DRCs, it knew that it had not yet transmitted any funds from consumers' custodial accounts to creditors. The CFPB also claimed that Global had received hundreds of complaints from or on behalf of consumers.

### **[Upfront Fees for Debt Relief Lead to \\$7 Million Settlement With Regulators](#)**

**Alan Zibel, Wall Street Journal, 8/25/14**

U.S. regulators reached a \$7 million settlement with a company accused of helping other businesses collect tens of millions of dollars in illegal upfront fees for debt-relief programs, continuing a crackdown on firms that promise to assist troubled consumers but often deliver little help.

The Consumer Financial Protection Bureau on Monday announced a settlement with Oklahoma-based Global Client Solutions, in the bureau's second enforcement action against a firm that handled payments for the debt-relief business. Last year, the CFPB reached a \$1.4 million settlement with another debt-relief payment processor, Meracord.

### **Groups Welcome New Guidelines for Banks Selling Old Consumer Debt to Debt Collectors**

**Press release issued by Americans for Financial Reform, Center for Responsible Lending, Consumer Federation of America, Leadership Conference on Civil and Human Rights, National Association of Consumer Advocates, National Consumer Law Center and New Economy Project, 8/12/14**

### **Senators: Protect Servicemembers from Abusive Loans** **Ramsey Cox, The Hill, 8/22/14**

### **Texas Car Lender Is Accused of Distortion in Subprime Inquiry**

**Jessica Silver-Greenberg and Michael Corkery, New York Times, 8/20/14**

The cycle is a familiar one on Wall Street. First comes a lending boom. And then, after the abuses and excesses of a bubble, there is the government crackdown.

Now, as federal prosecutors and regulators wrap up many of their largest mortgage investigations, they are shifting their focus to another lending boom underway: the market for auto loans to people with shoddy credit.

### **Auto Lender Fined \$2.75M for Providing Inaccurate Credit Information**

**Tim Devaney, The Hill, 8/20/14**

The Consumer Financial Protection Bureau said Wednesday it is slapping Texas-based First Investors Financial Services Group Inc. with a \$2.75 million fine and ordering it to fix mistakes it made on borrowers' credit reports.

### **Moody's Says Lenders are Backing off Subprime Auto Loans**

**Danielle Douglass, The Washington Post, 8/19/14**

### **How to Scrub Your Credit Report Clean of Costly Errors**

**Lauren Gensler, Forbes, 8/22/14**

### **Customers with Overdraft Protection Pay Quadruple in Fees**

**FoxBusiness, 8/18/14**

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

### **Why CFTC Reauthorization Matters**

**Michael Dunn, Richard Shilts, and Matthew Kulkin, The Hill, 8/21/14**

Commodity Exchange Act reauthorization removes a source of uncertainty and instability and allows the commission and its staff to focus more squarely on carrying out its mission: to protect market participants and the public from fraud, manipulation, abusive practices and systemic risk, and to foster transparent, open, competitive and financially sound markets in the futures, options and swap markets under its jurisdiction.

**CFTC Orders Merrill Lynch to Pay \$1.2 Million Fine**  
**Anna Prior, Wall Street Journal, 8/26/14**

**ENFORCEMENT**

**Biggest bank settlements**

| Bank                  | Fine (in million \$) | Reason                         | Year | Regulator              | As % of FY pre-tax profit | FY pre-tax profit/loss in \$ million |
|-----------------------|----------------------|--------------------------------|------|------------------------|---------------------------|--------------------------------------|
| Bank of America       | 16,650               | U.S. mortgage mis-selling      | 2014 | DOJ, FDIC, SEC, others | 103.0% <sup>†</sup>       | 16,172 <sup>†</sup>                  |
| JPMorgan              | 13,000               | U.S. mortgage mis-selling      | 2013 | DOJ, HUD, FHFA, others | 47.4%                     | 27,428                               |
| BNP Paribas           | 8,900                | U.S. sanctions violations      | 2014 | DOJ                    | 73.5%                     | 12,109                               |
| Citigroup             | 7,000                | U.S. mortgage mis-selling      | 2014 | DOJ, others            | 32.2%                     | 21,720                               |
| Credit Suisse         | 2,500                | Aiding tax fraud               | 2014 | DOJ                    | 43.2%                     | 5,782                                |
| HSBC                  | 1,920                | Money laundering lapses        | 2012 | DOJ                    | 9.3%                      | 20,649                               |
| UBS                   | 1,530                | Libor manipulation             | 2012 | FSA, DOJ               | 45.2%                     | 3,386                                |
| Rabobank              | 1,070                | Libor manipulation             | 2013 | DOJ, FCA, CFTC, others | 37.8%                     | 2,855*                               |
| JPMorgan              | 1,020                | "London Whale" trading scandal | 2013 | SEC, FCA, others       | 3.7%                      | 27,428                               |
| Deutsche <sup>1</sup> | 985                  | Interest rate cartels          | 2013 | EC                     | 16.0%                     | 6,144                                |

DOJ - U.S. Department of Justice | HUD - U.S. Department of Housing and Urban Development | EC - European Commission  
 FHFA - Federal Housing Finance Agency | FSA - The UK Financial Services Authority | FCA - UK Financial Conduct Authority (Formerly FSA)  
 OFAC - U.S. Office of Foreign Assets Control | CFTC - U.S. Commodity Futures Trading Commission | SEC - Securities and Exchange Commission

Note: 2014 data are forecasts (mean). \* 2012, forecast not available. <sup>†</sup>Fined with five other financial institutions amounting to \$2.3 billion.  
 Sources: Thomson Reuters, U.S. Treasury, Justice Department, SEC, FSA, companies. <sup>†</sup> 2013 FY pre-tax profit/loss.

Staff, C. Inton, 21/09/2014

REUTERS

**Bank of America Reaches Record \$17 Billion Settlement With U.S.**  
**Jeff Horowitz and Michael Virtanen, Associated Press, 8/20/14**

Bank of America has reached a record settlement of nearly \$17 billion to resolve an investigation into its role in the sale of mortgage-backed securities before the 2008 financial crisis, officials directly familiar with the matter said Wednesday.

One of the officials, who spoke with The Associated Press on condition of anonymity because the announcement isn't scheduled until Thursday at the earliest, said the bank will pay \$9.65 billion in cash and provide consumer relief valued at \$7 billion.

**Sound and Fury in Bank Settlements, Still Signifying Nothing**  
**William D. Cohan, New York Times, 8/19/14**

This time, Mr. Holder was taking a victory lap for strong-arming Citigroup into paying \$7 billion — including a \$4 billion cash penalty, the largest such single payment ever — to settle all civil claims against it for its role in packaging troubled mortgages into securities and selling them as investments in the years before the crisis, even though a bunch of Citigroup bankers knew better and did it anyway...

The fact is that by settling with the big Wall Street banks for billions of dollars — money that comes out of their shareholders' pockets — Mr. Holder is allowing them to avoid the sunshine

that Louis Brandeis wrote 100 years ago was the best disinfectant. Instead of shining the bright light on wrongdoing that took place at the Wall Street banks, Mr. Holder's settlements allow them to cover it up permanently.

And that helps no one. The American people are deprived of knowing precisely how bad things got inside these banks in the years leading up to the financial crisis, and the banks, knowing they will be saved the humiliation caused by the public airing of a trove of emails and documents, will no doubt soon be repeating their callous and indifferent behavior.

### **Bank of America's Big Fine**

**Shane Ferro, Reuters, 8/22/14**

### **BofA Agrees To Pay SEC \$245 Million to Settle Two Cases**

**Andrew Ackerman, Wall Street Journal, 8/25/14**

As part of a record \$17 billion settlement over its mortgage lending Thursday, Bank of America Corp. agreed to pay the Securities and Exchange Commission \$245 million to settle two relatively small cases stemming from the financial crisis.

### **Wall Street Prosecutors Bare Their Teeth, but Still Lack Bite**

**Jesse Eisinger, New York Times, 8/27/14**

### **Citigroup Fined \$1.85 Million by Finra for Trading Lapses**

**Elizabeth Dexheimer and Dakin Campbell, Bloomberg, 8/26/14**

### **Bank Settlements Need to Reveal More Information**

**Lisa Gilbert and Bartlett Naylor, New York Times, 8/27/14**

In the recent settlement over mortgage securities fraud with Bank of America — which followed similar deals with Citigroup and JPMorgan Chase — no court reviewed or approved the terms. That lack of oversight leaves key questions about the financial crisis, and the conduct of the banks, unanswered. For example, how much did the banks profit from the mortgage sales? How does that profit compare to the amount of money they will pay in the settlement?

### **Support Protection for Whistleblowers**

**Jordan Thomas, New York Times, 8/27/14**

And yet, in my work representing corporate whistle-blowers, I regularly review employment contracts and confidentiality agreements that, among other egregious provisions, seek to prevent individuals from reporting unlawful conduct to the government.

The right to report malfeasance should be an unwaivable right in a democratic state; obstruction of that right is cartel-like conduct. With the Government Accountability Project, I have petitioned the S.E.C. to clarify its rules to guard against corporate attempts to silence, retaliate against or otherwise bully whistle-blowers.

### **Bank Overseer PwC Faces Penalty and Sidelining of Regulatory Consulting Unit**

**Ben Protess and Jessica Silver-Greenber, The New York Times, 8/17/14**

The giant consulting firm PricewaterhouseCoopers occupies a position of trust on Wall Street, acting as a shadow regulator of sorts that promises the government an impartial look inside the world's biggest banks.

But the firm — hired and paid by the banks it examines — has now landed in the regulatory spotlight for obscuring some of the same misconduct it was supposed to unearth, according to confidential documents and interviews with people briefed on the matter.

### [Standard Chartered Said Near Deal With Lawsky on Controls](#)

**Greg Farrell, Bloomberg, 8/19/14**

Standard Chartered Plc is close to agreeing to pay as much as \$300 million to resolve claims by New York's banking regulator that it didn't flag suspicious transactions after promising to do so in a 2012 accord, a person with knowledge of the matter said.

## **EXECUTIVE COMPENSATION**

### [U.S. Bank Bonus Curb Hit by Regulatory Squabble](#)

**Gina Chon, Financial Times, 8/14/14**

Non-profit advocacy group Americans for Financial Reform blamed regulators for not working together to finish the rule. The group will soon send a letter to the agencies — it will also be circulated among lawmakers — urging them to finalise the proposal and strengthen it by not leaving implementation up to a bank's board or management.

“We consider this one of the major pieces of unfinished business in Dodd-Frank,” said Marcus Stanley, **Americans for Financial Reform** policy director. “The regulators really have to get their act together. Bank CEOs need to know that they face consequences for their bad behaviour.”

### [Investors Have Voted Against Salary and Bonuses, but Not All Firms Change Course](#)

**Emily Chasin, Wall Street Journal, 8/25/14**

Meet the renegades of executive pay: two dozen companies, including Oracle Corp., RadioShack Corp., and Nabors Industries Ltd, that keep giving top officers sky-high pay packages and luxury perks despite shareholder ire.

Investors have repeatedly voted against the salary and bonuses of these companies at annual meetings. Yet the companies appear to have dug in their heels—often because they have founders who still run the business.

### [Say Whatever You Want on Pay—We're Not Listening](#)

**James Willhite, Wall Street Journal, 8/26/14**

The say-on-pay votes required by the 2010 Dodd-Frank financial legislation were intended to provide a curb on skyrocketing executive-compensation packages. And most corporate boards do view a negative vote as a kind of public failure best avoided. However, at a couple of dozen companies, shareholders are repeatedly rejecting pay packages, leading boards to demonstrate just what the “non” part of “nonbinding” means...

But scores of other companies that have seen their shareholders reject pay plans have overhauled the plans in ways that calmed the revolt. Abercrombie & Fitch Co., for instance, won 96% shareholder support for its revised pay plan this year after failing the prior two years in a row.

## **INVESTOR PROTECTION AND THE SEC**

### **Municipal-Debt Rules Proposed to Ensure Brokers Seek Best Prices**

**William Selway, Bloomberg, 8/20/14**

U.S. securities regulators are moving to require brokers to seek the best prices available when trading state and local bonds for customers, a step aimed at keeping investors from being shortchanged...

The rule would place stricter standards on brokers who trade in the \$3.7 trillion municipal bond market, which, unlike the stock market, lacks a centralized exchange. Current regulations require that brokers buy and sell bonds at “fair and reasonable” prices.

### **SEC Commissioner Rebukes His Colleagues**

**Peter Eavis, New York Times, 8/29/14**

Mr. Aguilar, one of three Democrats on the commission, described the settlement with one of the executives, Kevin R. Kyser, the former chief financial officer, as “a wrist slap at best.”

The settlement was deficient, in Mr. Aguilar’s view, because it lacked fraud charges and did not effectively bar Mr. Kyser from being a top accounting executive at a public company.

### **SEC Doles Out \$300k Whistleblower Award to Compliance Officer**

**Rachel Louise Ensign, Wall Street Journal, 8/29/14**

The agency awarded the anonymous employee, who it said worked in audit and compliance, \$300,000 for reporting that person’s employer’s unspecified wrongdoing. The employee first reported concerns internally but then went to the SEC when the company failed to take action

### **Credit Raters to Face New Conflict Curbs Under SEC Rules**

**Dave Michaels, Bloomberg, 8/27/14**

### **SEC Shelves Plan for Private Asset-Backed Bond Disclosure**

**Jody Shenn, Dave Michaels, and Matt Robinson, Bloomberg, 8/28/14**

Dropped from the rules: a requirement that issuers of private securities be ready to furnish to buyers the same type of information that’s available for publicly registered debt. The SEC said in a Federal Register posting proposing the rule in 2010 that such a step would bring “transparency to formerly opaque” markets.

“It’s a massive hole,” said David Jacob, the former global head of structured finance at Standard & Poor’s. “Most of the asset-backed market is a private market.”

See [AFR Statement](#) on SEC rule. **Really our statement is just on the credit rating rule – we didn’t have enough details to comment on disclosures – can you put it after article above?**

### **Case May Give D.C. Circuit Chance to Review Constitutionality of SEC Administrative Forum**

**Yin Wilczek, Bloomberg, 8/20/14**

As the Securities and Exchange Commission continues to ramp up the use of its administrative forum, the U.S. Court of Appeals for the District of Columbia may have a [chance](#) to weigh in on whether that forum is inherently unfair.

Houston hedge-fund manager George Jarkesy Jr. Aug. 12 asked the D.C. Circuit to review a district court decision declining to bar the SEC from going forward with an administrative action

against him over allegations that he steered bloated fees to the John Thomas Financial Inc. brokerage.

In asking the district court to issue preliminary and permanent injunctions, Jarkey argued that his constitutional rights would be violated if the action proceeded because the commission has “stripped” the administrative proceeding (AP) process of “minimum standards of fairness.”

### **[The Man Who Blew the Whistle](#)**

**Joe Nocera, The New York Times, 8/18/14**

Late last month, the Securities and Exchange Commission issued an oblique press release announcing that it was awarding an unnamed whistle-blower \$400,000 for helping expose a financial fraud at an unnamed company. The money was the latest whistle-blower award — there have been 13 so far — paid as part of the Dodd-Frank financial reform law, which includes both protections for whistle-blowers and financial awards when their information leads to fines of more than \$1 million.

### **[SEC Eyes Stillwell Loans](#)**

**FInAlternatives, 8/18/14**

The Securities and Exchange Commission is investigating an activist hedge-fund manager for allegedly failing to tell investors about a series of loans between his funds, and it would like to talk to him about it.

### **[Cwren Financial Received SEC Subpoena in June Related to Business Dealings](#)**

**Ann Prior, The Wall Street Journal, 8/18/14**

### **[The S.E.C.'s Use of the 'Rocket Docket' Is Challenged](#)**

**Peter J. Henning, New York Times, 8/25/14**

### **[Trade Like a Congressman as OpenSecrets Launches Stock-Trading Database](#)**

**MarketWatch, 7/25/14**

### **[6 Signs of Bad Financial Advice](#)**

**Tamara E. Holmes, Fox Business, 8/22/14**

## **MORTGAGES, FORECLOSURES & HOUSING**

### **[Helping Prevent Foreclosures](#)**

**Lisa Prevost, New York Times, 8/14/14**

A new study finds that the emergency extensions of unemployment benefits during the recession went a long way toward preventing mortgage defaults, even more than government programs meant to prevent foreclosures by focusing only on reducing monthly payments. Researchers from the Federal Reserve Board of Governors, in Washington, and the Kellogg School of Management, at Northwestern University, estimate that between July 2008 and December 2012, the \$250 billion paid out in federally funded unemployment benefits helped prevent an estimated 1.4 million foreclosures.

### **[You Thought the Mortgage Crisis Was Over? It's About to Flare Up Again](#)**

**David Dayen, New Republic, 8/24/14**

We are nearly eight years removed from the beginnings of the foreclosure crisis, with over five million homes lost. So it would be natural to believe that the crisis has receded. Statistics point



in that direction. Financial analyst CoreLogic reports that the national foreclosure rate fell to 1.7 percent in June, down from 2.5 percent a year ago. Sales of foreclosed properties are at their lowest levels since 2008, and the rate of foreclosure starts—the beginning of the foreclosure process—is at 2006 levels. At the peak, 2.9 million homes suffered foreclosure filings in 2010; last year, the number was 1.4 million.

But these numbers are likely to reverse next year, with foreclosures spiking again. And it has nothing to do with recent-vintage loans, which actually have performed as well as any in decades. Instead, a series of temporary relief measures and legacy issues from the crisis will begin to bite in 2015, causing home repossessions that could present economic headwinds. In other words, the foreclosure crisis was never solved; it was deferred. And next year, the clock begins to run out on that deferral.

### **[In a Bank Settlement, Don't Forget the Bulldozers](#)**

**Gretchen Morgenson, The New York Times, 8/16/14**

Studies show that bulldozing distressed properties reduces foreclosure rates in the surrounding neighborhoods and can improve the values of nearby homes. An analysis conducted for the Western Reserve Land Conservancy found that demolishing 6,000 homes in and around Cleveland between 2009 and 2013 helped slow the fall in property values, generating a net benefit in retained property values of \$1.40 for every dollar spent on demolition.

### **[Lawsuit Puts Scrutiny on Title Insurance Kickbacks](#)**

**Kenneth R. Harney, LA Times, 8/17/14**

A new federal court suit alleging kickback violations by one of the country's top-producing real estate sales teams raises an unsettling question for home buyers: Could your agent or broker be pocketing under the table large chunks of what you pay for title insurance?

### **[Goldman to Buy \\$3.15 Billion of Debt to End FHFA Claims](#)**

**Michael J. Moore and Clea Benson, Bloomberg, 8/23/14**

### **[Feds End 'Early Payment' Penalties for Mortgages](#)**

**Tim Devaney, The Hill, 8/25/14**

### **[FHA Official to Take CFPB Mortgage Post](#)**

**MJ Lee and Jon Prior, Politico, 8/15/14**

### **[U.S. Regulator Hires Former Freddie Mac Executive as Mortgage Expert](#)**

**Alan Zibel, The Wall Street Journal, 8/15/14**

## **STUDENT LOANS AND FOR-PROFIT SCHOOLS**

### **[Campus Cards Generate Big Rewards, But Not for Cardholders](#)**

**Fred O. Williams, CreditCards.Com, 8/25/14**

Nearly 900 colleges with a combined 9 million students issue hybrid ID-and-debit cards to students, a 2012 study by the U.S. Public Interest Research Group found. Schools can deposit financial aid into the card-linked accounts quickly, which is a powerful draw for students.

With banks paying schools for exclusive rights to market these cards to students, "there is a clear need for strong rules to address potential conflicts of interest," U.S. Sen. Robert Menendez wrote in an Aug. 11 letter to regulators at the Education Department and Consumer

Financial Protection Bureau. "Put simply, students should not be charged extra fees to access their financial aid funds," Menendez wrote in his letter, "and schools should not be steering students toward high-fee products."

### **[For-Profit Colleges Shouldn't Blame the Education Department for Their Poor Marks](#)**

**Robert Shireman, Washington Post, 8/26/14**

In most industries, the drive for efficiency that is fundamental to for-profit enterprises is aligned with the interests of consumers. Education is an exception, however, because quality is difficult to measure and monitor. In education, it is relatively easy to engage in predatory behavior without consequences because there's no product to inspect, and a college can blame students for being ill-prepared or not doing their part.

### **[S&P Says Weakened For-Profit Colleges Have a Grim Future](#)**

**Karen Weise, Bloomberg, 8/27/14**

While some schools with better student outcomes and less debt on their books will likely survive, S&P wrote that the Corinthian shutdown "does not bode well for other for-profit institutions that may be dealing with weak student outcomes in addition to their own corporate financial pressures."

Because many of the chains are publicly traded, their struggles are out in the open, S&P says. "This can lead to more instances of weakly capitalized for-profits succumbing to the concurrent pressures of a declining stock price and limited access to government funding."

### **[CFPB Announces Higher Education Memorandum of Understanding](#)**

**John L. Culhane Jr., CFPB Monitor, 8/28/14**

The CFPB announced that it has entered into a "Joint Higher Education Memorandum of Understanding" with the Departments of Veterans Affairs (VA), Defense (DOD), and Education (ED) as part of a joint effort by the agencies "to prevent abusive and deceptive recruiting practices by schools serving servicemembers, veterans, spouses and other family members."

### **[Dept. of Education Letter: Corinthian Misled Students and Overseers About Job Placement](#)**

**David Halperin, Republic Report, 8/27/14**

### **[Corinthian Lenders Permit Sale of Assets to Raise Cash](#)**

**Stephanie Gleason, Wall Street Journal, 8/26/14**

### **[Seeking New Start, Finding Steep Cost: Workforce Investment Act Leaves Many Jobless and in Debt](#)**

**Timothy Williams, New York Times, 8/17/14**

### **[A Case of Mistaken Identity: The New York Times Mixes up Higher Education and Workforce Development](#)**

**Mary Alice McCarthy, New American EdCentral, 8/18/14**

### **[For-Profit College Grads Have The Same Shot at a Job Interview as People Who Never Went to College](#)**

**Alan Pyke, ThinkProgress, 8/19/14**

### **[In Corinthian Colleges Collapse, Students Wonder What's Next](#)**

**Catherine Dunn, International Business Times, 8/18/14**

### **Ga. Group Struggles to Regulate For-profit Schools**

**The Valdosta Daily Times, 8/16/14**

A review of a state commission tasked with evaluating for-profit schools has raised questions about Georgia's oversight of the institution, and the commission's director say the organization would likely be more effective with more resources.

### **Under Obama, Private Debt Troubles Ebb—Except Among Students**

**Neil King Jr., Wall Street Journal, 8/20/14**

### **Do Your Homework on Campus Debit Card Deals**

**Hadley Malcolm, USA Today, 8/27/14**

## **SYSTEMIC RISK**

### **Living Wills Could Hasten Bank Divestitures**

**Saabira Chaudhuri, Wall Street Journal, 8/26/14**

“The FDIC’s use of the term ‘not credible’ for all of the banks this year makes us believe that one or more individual banks may be at risk in 2015 for enforcement action,” said Mr. Cannon.

He expects the pressure from the criticism of living wills to result in reduced use of short-term funding going forward.

Big banks are already taking steps to pull back from the short-term funding market and are also selling off profitable business lines in a push to trim their operations.

### **Breaking Up (the Banks) May Not Be Quite So Hard to Do**

**Bartlett Naylor, Huffington Post, 8/20/14**

As America approaches the sixth anniversary of the 2008 financial crash, here's an encouraging thought: The mega-banks can be broken up. It's already in the law. Forty-one words of the 2,000-page Dodd Frank Wall Street Reform Act empower the regulators to take this step. To exercise this momentous power, the regulators must take some initial steps in preparation. And on August 5, 2014, the regulators did just that.

### **2008 Meltdown Was Worse Than Great Depression, Bernanke Says**

**Pedro Nicolaci Da Costa, Wall Street Journal, 8/26/14**

“September and October of 2008 was the worst financial crisis in global history, including the Great Depression,” Mr. Bernanke is quoted as saying in the document filed with the court. Of the 13 “most important financial institutions in the United States, 12 were at risk of failure within a period of a week or two.”

### **Big Banks Are Still “Too Big”**

**Darrell Delamaide, USA Today, 8/27/14**

Legislation proposed last year by Massachusetts Democrat Elizabeth Warren and Arizona Republican John McCain would make today's megabanks smaller, for sure, but the main effect would be to make the commercial banks that are the backbone of entire financial system "too safe to fail."

It is, in fact, the simple, intuitive solution to the problem, though industry resistance is likely to keep it from being enacted.

"The most direct way to address the problems of regulatory complexity and systemic risk caused by the megabanks is a return to the Glass-Steagall prohibitions," University of Tampa expert Marcus Allan Ingram wrote this month in *The Orlando Sentinel*. "Require commercial banks to divest their investment-banking divisions, so that each type of bank can be regulated appropriately."

## **OTHER TOPICS**

### **Finance Is a Strange Industry**

**Morgan Housel, Motley Fool, 8/27/14**

The truth is that finance is filled with people who remain in business despite awful track records. There were 894 mutual funds in 2012 that had been in business in 1998. Of those, only 275 beat their benchmarks. That means more than 600 funds have underperformed what could be achieved in a low-cost index fund, but still remained in business for a decade and a half.

### **Why Have U.S. Companies Become Such Skinflints?**

**Paul Roberts, LA Times, 8/27/14**

The bigger story here is what might be called the Great Narrowing of the Corporate Mind: the growing willingness by business to pursue an agenda separate from, and even entirely at odds with, the broader goals of society. We saw this before the 2008 crash, when top U.S. banks used dodgy financial tools to score quick profits while shoving the risk onto taxpayers. We're seeing it again as U.S. companies reincorporate overseas to avoid paying U.S. taxes. This narrow mind-set is also evident in the way companies slash spending, not just on staffing but also on socially essential activities, such as long-term research or maintenance, to hit earnings targets and to keep share prices up.

### **How Sherrod Brown Would Guide the Senate Banking Panel**

**Victoria Finkle, American Banker, 8/25/14**