TRUMP ADMINISTRATION, CONGRESS, AND WALL STREET

**Big Banks Can Relax, Trump’s Glass-Steagall Wouldn’t Break Them Up** | Wall St. Journal
Publicly and privately, administration officials have expressed skepticism that bank breakups would help achieve their broad goal of boosting economic growth. A Treasury Department spokeswoman in a Wednesday statement said, “The administration does not support a break of banks from investment banks.”

**JPMorgan boss: 'Trump is our pilot' even when we disagree** | Philadelphia Inquirer
Jamie Dimon, chairman and chief executive of JPMorgan Chase & Co. and one of the few big-bank bosses to keep his job after the Great Recession, will keep advising President Trump even when they might disagree, Dimon told shareholders at the company’s annual meeting at its Delaware Technology Center north of Wilmington...

Boasting the bank had boosted profits — which totaled nearly $25 billion last year, on sales of $99 billion — in six of the past seven years, Dimon complained that “something is holding (the U.S.) back” from faster economic growth.

He called for "regulatory reform" including an easing of capital requirements and policies restricting lending that were enacted in the Dodd-Frank reform law of 2010. That law was intended to prevent JPMorgan and other banks from repeating the reckless loan financing that nearly wrecked the financial system in 2008.

**Mnuchin plans multiple reports on financial regulation** | PoliticoPro
**Mnuchin: Report will recommend easing community bank rules** | PoliticoPro

**“This is Crazy”: Elizabeth Warren Mops the Floor With Steve Mnuchin in a Brutal Exchange** | Vanity Fair (Bess Levin)
WARREN: So let me get this straight. You’re saying you’re in favor of Glass-Steagall, which breaks apart the two arms of the banks, except you don’t want to break apart the two parts of banking. This is like something straight out of George Orwell. You’re saying simultaneously you’re in favor of breaking up the banks— that’s what Glass-Steagall is...
MNUCHIN: There are many aspects of it. The simple answer is we don’t support breaking up commercial and investment banks. We think that would be a huge mistake...

WARREN: This is just bizarre. The idea that you can say we’re in favor of Glass-Steagall but not breaking up the banks.

See links to significant passages from Senate Banking Committee hearing with Treasury Secretary Mnuchin.

Mnuchin responds to Noreika ethics concerns | PoliticoPro

Warner threatens Treasury nomination slowdown | PoliticoPro

How Billionaire Investor Carl Icahn Has Unprecedented Access to Trump | NPR

New York hotel deal shows how public pension funds help to enrich Trump | Reuters
Public pension funds in at least seven U.S. states have invested millions of dollars in an investment fund that owns a New York hotel and pays one of President Donald Trump's companies to run it, according to a Reuters review of public records. That arrangement could put Trump at risk of violating an obscure constitutional clause, some legal experts say.

The biggest week for Wall Street banks since the big bailout | The Hill (Jeff Weaver)
First, the Senate voted to confirm Jay Clayton, Wall Street's go-to lawyer, as the head of the Securities and Exchange Commission — the agency meant to police Wall Street. Clayton, who has built a career making Wall Street bankers richer and helping them worm their way through loopholes in consumer protection laws, is now set to ensure that Wall Street can’t take advantage of ordinary Americans...

Then, the House Financial Services Committee voted to approve the Financial CHOICE Act, which essentially dismantles all the financial protections put in place after the crisis, allowing banks to go back to their risky behavior that maximizes their profits while risking ordinary Americans' investments.

McConnell calls out Democrats for blocking Dodd-Frank overhaul | PoliticoPro
"So far, the Democrats on the Senate Banking Committee, and there are enough Democrats to keep us from reforming Dodd-Frank, don’t seem to want to change it even though all their community bankers are complaining about it," the Kentucky Republican said in an interview with Bloomberg TV.

Banks, making record piles of cash, plead for regulatory relief | LA Times (David Lazarus)
The industry can put away its hankies and violins. U.S. banks, especially the big ones, are doing just fine, thank you very much…

- U.S. banks reported record annual profit of $171.3 billion last year, up 5% from a year before, according to the Federal Deposit Insurance Corp. Only 4.2% of the nation’s almost 6,000 banks lost money in 2016 — the lowest percentage since 1995.
• FDIC-insured institutions reported total profit of $43.7 billion in the fourth quarter alone, up nearly 8% from a year earlier. Almost 60% reported year-over-year growth in quarterly earnings.
• In the first three months of this year, Bank of America reported a 40% increase in earnings from a year earlier. Both JPMorgan Chase and Citigroup posted 17% gains in profit.
• Wells Fargo, which went out of its way to alienate customers with its bogus-accounts scandal, nevertheless saw its first-quarter profit hold steady at $5.5 billion.

**House Republican tries to escalate debit fee fight** | Politico Pro

While much of the Financial CHOICE Act has broad GOP support, the swipe fee provision is dividing Republicans who are torn between the interests of banks, who want to repeal the Durbin Amendment, and retailers, who want the cap to stay in place.

[Rep. Ted] Budd, a member of the Financial Services Committee, is a critic of the regulation and has recently been the target of pro-and anti-Durbin Amendment ads. His letter, if it gained enough signatures, could make it tougher for House leaders to resolve the issue. A draft of the letter … would tell House Speaker Paul Ryan and Majority Leader Kevin McCarthy that "a scenario where the provision repealing Durbin is removed from the bill through a procedural motion, and the House never takes a vote on the Durbin Amendment is not acceptable under even an elastic standard of regular order."

**5 things to watch in Trump’s financial disclosures** | PoliticoPro

[H]is 2016 disclosure to the Federal Election Commission—expected out as soon as this week—promises to generate intense scrutiny. The report, which aides said he would release voluntarily, will open a window into his books, likely showing how much cash flowed into his golf courses and hotels and more detail on how he wound down his business operations after winning the election.

**CFPB AND CONSUMER FINANCE**

**Consumer agency chief, his job on the line, takes Republican attacks in stride** | LA Times (David Lazarus)

“People are entitled to, and they deserve, someone to make sure these markets are fair and transparent," [Cordray] told me. “There’s a need for this agency. And there’s more work to do…”

Conservatives insist that the CFPB is a rogue agency with too much power, thumping its nose at oversight by coolheaded and responsible members of Congress. The reality is that the bureau is a pebble in the shoe of Republicans and their business buddies by exposing practices that any reasonable person would acknowledge to be anti-consumer.

**Cordray pushes back on deregulation in meeting with Democrats** | PoliticoPro

Rep. Dan Kildee (D-Mich.), the vice-ranking member of the House Financial Services Committee, said he asked Cordray about the legislation, known as the Financial CHOICE Act.

According to Kildee, Cordray said the proposals would be a reversion to pre-crisis conditions and "those conditions are what led to the creation of the CFPB in the first place and the need for..."
Rep. Maxine Waters (D-Calif.), the House Financial Services Committee's ranking member, said after the meeting that she expected Democrats to "put up a good fight" over the CHOICE Act. "We think we have most of our Democrats with us," Waters said.

**Consumer bureau faces fateful test in U.S. appeals court** | Reuters
Oral arguments begin on May 24 in a U.S. appeals court case that could reshape the structure of the Consumer Financial Protection Bureau, or even determine the independent agency's existence. A decision would not only affect the status of the current CFPB director, Richard Cordray, an Obama recess appointee whose term expires in July, 2018, but also the agency's rulemaking agenda. The central issue in the case is the constitutionality of the CFPB's single-director structure, a key feature mandated by the Consumer Financial Protection Act (CFPA), which was enacted as part of the Dodd-Frank regulatory overhaul in 2010. Under the act, the director cannot be fired by the president except for cause. Another unusual feature is that the CFPB receives automatic funding directly from the Federal Reserve, instead of through the annual congressional appropriations process.

**Inside Corey Lewandowski’s Failed Romp in Trump’s Swamp** | GQ
In order to get hired by the payday lender Community Choice Financial, a person familiar with the matter says, Lewandowski pledged that he would get Trump to fire that industry's arch-nemesis, the Consumer Financial Protection Bureau head Richard Cordray.

**Consumer advocates descend on DC to push back against Trump policies** | ABC News
Top issues include opposing legislation that would gut the Consumer Financial Protection Bureau and scuttle proposed rules that would limit predatory payday loans and forced arbitration clauses in contracts…

In addition to CFA and Consumers Union, co-sponsors include U.S. PIRG, National Consumer Law Center, Public Citizen, National Consumers League, National Association of Consumer Advocates and **Americans for Financial Reform**.

**Consumer advocates press Congress to keep CFPB intact** | MarketWatch
More than 100 members of organizations... met with government officials of both parties and their staffs to lobby against several laws proposed recently... Brian Simmonds Marshall, policy counsel for **Americans for Financial Reform**, [said] , "We were very glad we had so many consumer advocates in Washington when these crucial issues to consumer protection are being actively considered by Congress..."

See [Shade & Shame: Hensarling’s Wrong Choice Act](summons to Dallas action) (summons to Dallas action)

**More than 150 law professors defend CFPB** | American Banker

**U.S. consumer watchdog's prepaid-card rule survives Congress challenge** | Reuters
The CFPB was expected to soon finalize restrictions on the fine print in contracts known as "mandatory arbitration clauses" that require consumers to give up their rights to class-action lawsuits as a condition of buying a service or product. But the rule's fate has been caught in limbo. Congress is expected to kill it swiftly with a CRA resolution once it is official.
Making prepaid cards better for everyone | Tennessean (M. Eric Johnson)
These new prepaid regulations will be a welcome change for the one in eight Tennesseans that used prepaid cards in 2015. They will provide the field with needed guidance and further protect Tennessee workers.

Deyanira Del Rio on predatory lending | WCNY

Ending Forced Arbitration Is a No-Brainer for Conservatives | US News (Dean Clancy)
Statistics show that, more often than not, the arbitrator hired by the company you’re disputing with will rule in the company’s favor, likely because he’s eager to be hired again by that company in the future.

Even consumers who think they understand what they’re signing usually have no clear idea of how arbitration really works. They mistakenly equate it with mediation or some other court-like procedure. In reality, forced arbitration is conducted in secret and lacks the procedural safeguards that allow consumers to prove their case. Arbitrators typically keep their reasoning private, making it hard for the losing party to know why he lost, and results are rarely published, making it difficult for similarly situated parties to know they’re entitled to relief.

California lawmakers want to rein in Wells Fargo’s arbitration clause | LA Times
Long before Wells Fargo & Co. admitted to opening potentially millions of unauthorized accounts, customers had noticed the bank’s practices and sued. Well, they tried, but were turned away by judges citing unfavorable contractual language customers must agree to when doing business with the San Francisco bank. Now, California lawmakers are working on a new law that could allow such cases to proceed. But it’s possible that the state plan will run afoul of federal law — or be rejected by the U.S. Supreme Court.

Opening the courthouse door to defrauded consumers | Santa Rosa (CA) Press Democrat (editorial)
A bill sponsored by state Sen. Bill Dodd, D-Napa, would open the courthouse to victims in cases in which a financial institution has acted without a customer’s consent or by unlawfully using personal information — a practice commonly called identity theft. With the Trump administration trying to dismantle the Consumer Financial Protection Bureau, states need to take up the slack. Dodd’s bill, which would create a narrow exception to mandatory arbitration, triggered only in cases of institutional fraud, is the kind of help consumers could use.

AT&T and DirecTV Face Complaints of Overcharging, Promotions | WFMY
Out of nearly 150 million customers… only 18 went through arbitration for small claims in the past two years. "So it turns out to be a license to steal," [lawyer Paul Bland] said. "In my experience, when a large company has a lot of consumers coming forward and saying we feel like we were bait and switched. We were promised one thing and then we got something else. The company knows about it." That's something customers might claim in a class-action lawsuit -- except AT&T's contract also forbids class actions.

Wells Fargo deception lawsuit goes to arbitration | Jackson (MS) Clarion Ledger
A federal judge has closed a lawsuit filed by a Waynesboro couple against Wells Fargo National Bank and two other companies alleging "deceptive, fraudulent and unconscionable" sales
practices. U.S. District Judge Daniel Jordan III had ordered the complaint against Wells Fargo to arbitration but said he would decide later whether to add Windows USA, and Big Four Companies, Inc., the managing member of Windows USA, to the arbitration order. Last week, Jordan ordered the case against all defendants to arbitration because he said the couple, Archie and Angela Hudson, signed an arbitration agreement with Wells Fargo.

BankThink Fintechs need regulatory clarity now more than ever | American Banker
Marshall Lux & Martin Chorzempa)

New York bank regulator sues OCC over fintech charter | PoliticoPro

CFTC Rolling Out a Fintech Innovation Office | Wall St. Journal
The office, which will be based in New York, seeks to modernize the agency’s approach to regulating fintech, which includes everything from online lending to digital currencies The project also aims to incorporate emerging technologies into the CFTC’s own operations, including the use of blockchain technology to distribute agency reports and moving the agency toward real-time market-data analysis.

DERIVATIVES, COMMODITIES AND THE CFTC

U.S. Derivatives Regulator to Get Digital Makeover, Update Rules | NY Times
Acting Commodity Futures Trading Commission Chairman J. Christopher Giancarlo said Wednesday he had launched a financial technology initiative known as "LabCFTC," which aims to benefit fintech firms and the agency by aligning the CFTC's regulations with today's fast-paced digital trading environment. The CFTC's rule book was written decades ago when much of the futures markets involved floor pits and open outcry trading.

See Giancarlo speech calling for global deregulation of derivatives markets

Trump nominates former fund manager Quintenz to serve on CFTC | Reuters

HEDGE AND PRIVATE EQUITY FUNDS

Hedge Fund Managers Don’t Always Beat the Market, but Still Make Billions | NY Times
Good performance, mediocre results or even downright ugly returns. When it comes to hedge funds, it scarcely matters…

The 25 best-paid hedge fund managers earned a collective $11 billion in 2016, according to an annual ranking published on Tuesday by Institutional Investor’s Alpha magazine.

INVESTOR PROTECTION AND THE SEC

Regulator Says Brokers Report Cards Leads to Drop in Fraud Patterns | Wall St. Journal
Wall Street is cracking down on a common, manipulative trading technique after its self-regulatory organization began grading brokers on how much bad behavior flows through their systems. The Financial Industry Regulatory Authority, a private organization that polices the brokerage industry, began issuing report cards to brokers last year detailing potentially
manipulative trading. Since then, Finra’s surveillance department has seen 68% fewer alerts for “layering,” a ruse that involves entering phony buy or sell orders with the goal of pushing the price in a direction that benefits a trader’s positions.

'Bad broker' initiative could hinder securities industry hiring | Compliance Complete
A Financial Industry Regulatory Authority crackdown on financial advisers with disciplinary records and the firms that employ them could make it increasingly difficult to hire and retain experienced brokers and harder to bring young talent into the industry, say hiring and compensation professionals. The industry has been pressured to eliminate high-risk brokers.

SEC Approves New York Stock Exchange ‘Speed Bump’ Trade Delay | Wall St. Journal
U.S. regulators have given the New York Stock Exchange a green light to introduce a “speed bump” to one of its markets, a plan widely seen as an attempt to undermine upstart rival IEX Group Inc. An order released Tuesday by the Securities and Exchange Commission allows NYSE to add a delay of 350 microseconds, or millionths of a second, to all stock trades on NYSE MKT, one of the Big Board’s smaller sister exchanges.

For Wall Street, there’s a new, more hospitable sheriff in town | The Hill (Todd Cipperman)

McHenry calls on SEC’s Clayton to revamp crowdfunding rule | PoliticoPro

Dodd-Frank Rollback Could Hinder Funding of Accounting Standards Board | Wall St. Journal

MORTGAGES AND HOUSING

Fannie-Freddie Watchdog Says He Can’t Let Capital Go to Zero | Bloomberg
The FHFA “cannot risk the loss of investor confidence” that would result from Fannie and Freddie running out of capital, Watt told senators…

The companies, since returning to profitability, have paid about $266 billion to the Treasury. Any changes would be highly controversial, and would put Watt in direct opposition to President Donald Trump’s administration, which has said the payments should continue.

Some Republican senators said building capital was unnecessary.

Mnuchin May Face Fight With Watt Over Fannie-Freddie Dividends | Bloomberg
Treasury Secretary Steven Mnuchin is on a collision course with the U.S. regulator for Fannie Mae and Freddie Mac after telling lawmakers that he expects the mortgage-finance giants to continue paying dividends to the government…

The disagreement between President Donald Trump’s Treasury chief and one of the most powerful holdovers from Barack Obama’s administration could come to a head as soon as late June, when Fannie and Freddie are next scheduled to pay dividends to the Treasury.

Mnuchin's old bank settles with Justice Department over FHA mortgages | PoliticoPro
CIT Group will pay $89 million to settle claims that a subsidiary improperly collected payments from the Federal Housing Administration for loans made to elderly homeowners...

Between March 2011 and August 2016, CIT’s Financial Freedom division violated the False Claims Act and other federal laws by collecting FHA insurance payments it wasn’t entitled to, according to the Justice Department.

See related statement by California Reinvestment Coalition

**CFPB deepens probe into Zillow for RESPA compliance** | Rewired

**Philadelphia Sues Wells Fargo Over Alleged Discrimination** | Washington Post
The city of Philadelphia sued Wells Fargo on Monday for allegedly discriminating against minority home buyers. The complaint filed in a federal court in Pennsylvania alleges that Wells Fargo violated the Fair Housing Act of 1968 by 'steering' minority borrowers into mortgages that were more expensive and riskier than those offered to white borrowers, according to court documents...

The complaint says that between 2004 and 2014, African American borrowers were twice as likely to receive high-cost loans when compared to white borrowers with similar credit backgrounds.

**Trump casting wide net to examine mortgage rules, Phillips says** | PoliticoPro
In his first public comments on housing policy, Treasury senior adviser Craig Phillips endorsed using a type of derivative to reduce taxpayer risk to Fannie Mae and Freddie Mac.

“It’s an excellent example of the type of innovation we need to have in the financial services business,” Phillips, President Donald Trump's point person on housing, said at the Information Management Network Credit Risk Transfer Symposium on Monday in New York. “It demonstrates the significant role private capital can play in housing finance.”

**Real Estate’s New Normal: Homeowners Staying Put** | NY Times
For many homeowners, the desire to stay put began out of caution or necessity. Millions of other homeowners lost their jobs or were stuck in homes worth less than they owed the bank — two big reasons that the median homeownership tenure rose to about eight and a half years last year, up from about three and a half in 2008, according to data from Moody’s Analytics and First American Financial Corporation. That is the longest tenure since their data began in 2000.

**Nationstar changing its name to "Mr. Cooper"** | Housing Wire

**REGULATION IN GENERAL**

**Senate GOP starts regulatory revamp push today** | Politico
Arguably the most-watched piece of legislation is the Regulatory Accountability Act (S. 951), a little-noticed but potentially hugely consequential 58-page bill that would dramatically revamp how agencies issue regulations. The measure calls for agencies to develop the least costly version of rules, require early public meetings and input into potential regulations and mandate
additional economic analyses. Proponents see an opportunity — the product of negotiations between Rob Portman (R-Ohio) and Heidi Heitkamp (D-N.D.) — given the large number of moderate Democrats up for reelection next year in states won by President Donald Trump.

**Heitkamp, Manchin under pressure over GOP regs bill** | The Hill

Two Senate Democrats are coming under scrutiny for “helping” Republicans push legislation that critics say would weaken regulations. Nearly 80,000 petitioners are calling on Sens. Heidi Heitkamp (D-N.D.) and Joe Manchin (D-W.Va.) to abandon efforts to pass the Regulatory Accountability Act, which they co-sponsored. Heitkamp and Manchin are considered among the most vulnerable Senate Democrats on the ballot in 2018, running for reelection in states President Trump won handily.

**Senate panel advances reg reform bills** | The Hill

See AFR letter on five regulatory reform bills, and joint letter opposing Regulatory Accountability Act.

**Democrats in U.S. Senate Try to Slow Republican Deregulation** | Reuters

New Jersey Senator Cory Booker, a Democrat, on Tuesday introduced legislation to kill the Congressional Review Act (CRA), a law Republicans used over the span of three months this year to repeal 14 regulations enacted by former President Barack Obama, also a Democrat. Booker, one of his party's liberal stars, says that rate shows the CRA is prone to abuse, and the law helps special interests sabotage thoroughly vetted rules they do not like. Booker's bill, co-sponsored by fellow Democrat Senator Tom Udall of New Mexico, would give future administrations the ability to resurrect the 14 annulled regulations on broadband, contraception, guns, the environment, education and other areas.

**Retroactive Rule Repeal Not Open and Shut Case** | Bloomberg BNA

A legal theory about using the Congressional Review Act to repeal old rules retroactively has caught the attention of some lawmakers, but there are complicating factors and open questions that would have to be decided first, according to a former specialist at the Congressional Research Service. The theory, founded by Todd Gaziano, executive director at the Pacific Legal Foundation in Washington, is that periodically over the last 20 years, agencies issuing a rule failed to submit a report to Congress as required by the CRA. That, according to the theory, means those rules are not lawfully in effect and Congress could still disapprove them. “The question is: Is that sufficient to open up the whole scope of these [rules] for an indefinite period?” Richard Beth, a recently retired, 37-year veteran of the Congressional Research Service, said in an interview with Bloomberg BNA. “What are the limits on this?”

**Requiring Formal Rulemaking Is a Thinly Veiled Attempt to Halt Regulation** | RegReview (William Funk)

**Congress has an opportunity to cut red tape for small businesses** | The Hill (Karen Kerrigan)

**RETIREMENT**
Brokerage firms should continue to act in their clients' best interest, regardless of whether the Department of Labor's fiduciary rule survives, FINRA Chairman Jack Brennan said May 16. “It's going to be the way business is done,” he said at the Financial Industry Regulatory Authority's annual conference in Washington. “Whether it happens June 10, [2017] or June 10, 2022,” it's only a matter of time before it happens, Brennan said.

The rule, originally slated to go into effect April 10, aims to reduce the allegedly conflicted investment advice given to retirement savers, by requiring financial advisers to act in the best interest of their clients, disclose any conflicts of interests and tell clients about any associated fees and commissions. The implementation date of the regulation was delayed until June 9 while the rule is under a review by the agency initiated by President Donald Trump.

Most witnesses before the House Education and Workforce Subcommittee on Health, Employment, Labor and Pensions said that the regulation, whose applicability date has already been pushed back to June 9 from April 10, should be suspended further while the department conducts a review directed by President Donald J. Trump that could lead to its modification or repeal.

"The new empirical evidence based on actual experience shows that the academic predictions dismissing the rule's harmful effects, such as reduced access to advice and assistance, were wrong," Bradford Campbell, a partner at Drinker Biddle & Reath and a hearing witness told lawmakers. "The fiduciary rule should be delayed until a complete review of this new, compelling evidence is complete."

Mr. Campbell cited an Investment Company Institute survey of its fund-firm members that showed that financial advisers are abandoning smaller accounts.

In their letter, Sens. Patty Murray (D-Wash.), Elizabeth Warren (D-Mass.) and Cory Booker (D-N.J.) blasted Acosta for reportedly telling Sen. Tim Scott (R-S.C.) that freezing the fiduciary rule was his top priority.

"The definitiveness of your statements, after merely three weeks as Secretary, gives us reason for serious concern," they wrote. "Instead of meeting with all stakeholders and considering multiple points of view, you appear to have prejudged the outcome of the review your agency was tasked with conducting. In fact, it seems as though you have already arrived at your decision."

The advocacy groups, led by the National Employment Law Project, echoed similar concerns. In their letter, they warned that "further delay of the rule would be a serious mistake" and "would cost retirement investors (including small savers) hundreds of millions of dollars every 60 days." They added that "it would also expose the Department and any delay vehicle to significant legal risk."
See joint letter to Secretary Acosta from AFR and 9 groups

**Merrill Lynch Signals More Flexibility in Fiduciary Rule Response** | PlanAdviser
Outlining its current position, the firm tells PLANADVISER it is “operating under the assumption that the applicability date of the Department of Labor’s fiduciary rule will be June 9.” And as the firm told its own advisory force in a memorandum from Andy Sieg, head of wealth management, “foremost in our mind is the need to ensure you have the resources and support necessary to provide investment advice in our clients’ best interests with respect to their retirement accounts … Our primary vehicle for delivering ongoing advice and service for our clients’ retirement accounts will be the Investment Advisory Program (IAP).”

However the firm says it has also “analyzed the limited situations where recommending a fee-based arrangement might not be in a client’s best interest and have considered alternatives to IAP for these situations.”

**DOL Rule Confusion Leads to Wait-and-See Approach** | Insurance.net

**With Days to Go, DOL Rule Still Confounds Brokers** | AdvisorHub

**Trump's Decision To Delay Fiduciary Rule Could Improve Final Version** | Forbes (Jessica Karmasek)

**DOL Could See Lawsuit by Fiduciary Rule Supporters** | Bloomberg BNA
The Department of Labor may experience deja vu in the form of more legal challenges if it further delays the fiduciary rule, this time from the rule’s supporters. “If they delay the rule again, they should expect to get sued. We are one of several consumer organizations that would not let this go,” Micah Hauptman, financial services counsel at the Washington-based Consumer Federation of America, told Bloomberg BNA.

**Why Obama's investment adviser rule could backfire** | Houston Chronicle (Michael Taylor)

**California leaders vow to continue state-run retirement plan** | Bakersfield Now
California’s treasurer and top Senate leader said Thursday they’re going forward with a plan to automatically enroll private-sector workers in retirement savings accounts even after President Donald Trump signed legislation revoking a legal safe haven for the program. Senate President Pro Tem Kevin de Leon and Treasurer John Chiang said they believe the program can withstand lawsuits even without the blessing of the U.S. Department of Labor. But continuing without the federal guidance will require legislative approval.

**STUDENT LOANS**

**Trump to propose scrapping beleaguered student loan forgiveness** | MarketWatch
“Alexis Goldstein, a senior policy analyst at Americans for Financial Reform… described the idea of eliminating the program as ‘horrifying,’ noting that… borrowers are struggling to manage their student debt, pushing them to put off home-buying and other financial milestones.
Eliminating a forgiveness program would only make that worse, she said. ‘It seems both ill-conceived from a policy perspective and just cruel.’

**U.S. Crackdown on For-Profit Schools Is Said to Go Idle | NY Times**

Current and former employees, who requested anonymity for fear of retaliation, said tight restrictions have been put on staff members scrutinizing for-profit institutions, constraining their contact with other state and federal agencies without high-level approval — a contention a department spokesman denied.

Some state officials who had collaborated with the Education Department in bringing legal cases against for-profit schools say their joint work has ground to a halt. They also say they are troubled by an apparent slowdown in granting debt relief to students who were cheated.

“The department has become a black box since the Obama administration left the building,” said Maura Healey, the Massachusetts attorney general, whose office is one of dozens that have been involved in prominent cases against the for-profit sector.

**For-Profit Colleges Reinventing Themselves to Profit Off Low-Income Students | Truth-Out**

**Purdue Profs Unhappy with Acquisition of For-Profit Kaplan University | Academia.org**

**Majority of high-risk borrowers not enrolled in repayment plans | oliticoPro**

Nine out of 10 of the highest-risk student loan borrowers were not enrolled in federal repayment plans after they defaulted on their loans and many fell deeper into debt, according to a new report from the Consumer Financial Protection Bureau.

The report looked at hundreds of thousands of the highest-risk borrowers who were exiting default proceedings and might have been eligible for federal programs allowing them to pay based on income. But most were not enrolled in an affordable repayment plan. Student loan companies are responsible for informing borrowers of their options.

See CFPB report, *9 in 10 of the Highest-Risk Student Loan Borrowers Were Not Enrolled in Affordable Repayment Plans*

**Betsy DeVos’ Choice of New Hires Suggests She’ll Keep Her School Privatization Promises | Rewire**

**SYSTEMIC RISK**

**Why Volcker Rule Review Is Music to Bankers’ Ears: QuickTake Q&A | Bloomberg**

Bankers say it stifles what is the essence of Wall Street -- trading stocks, bonds and other instruments. While most banks have long since closed their prop-trading desks and otherwise adjusted trading operations, they still have to pay large compliance staffs to help traders avoid violating the rules...

Marcus Stanley, policy director at *Americans for Financial Reform*, a pro-regulation group,
said he’s dubious that Volcker is handcuffing lenders. “You’re talking about banks that are making tens of billions a year on trading activity,” said Stanley, whose group supports aggressive oversight of Wall Street. “It doesn’t seem to me that they’ve exited the markets.”

**Tester, Moran bill would ease stress test rule** | PoliticoPro

The bill, co-sponsored by Sen. Heidi Heitkamp (D-N.D.), would spare banks with less than $50 billion in assets from having to conduct the tests. The threshold today covers banks with more than $10 billion in assets.

**Banks warn new accounting rule could hurt lending** | PoliticoPro

### OTHER TOPICS

**Never Mind the Ferrari Showroom, Bank Regulators Call This a Poor Neighborhood** | Wall St. Journal

To any casual observer, the area just south of Trump Tower in Midtown Manhattan is obviously wealthy: The blocks are crowded with skyscrapers, and stores include Versace and Ferrari. Diners can pick at the foie gras and caviar on La Grenouille’s $172 prix-fixe dinner menu. In the eyes of federal-bank regulations, though, that sliver of New York City is a poor neighborhood where median incomes are relatively low. The anomaly has yielded a hidden benefit for banks such as J.P. Morgan Chase & Co. and Wells Fargo that have crowded branches into the area. Having robust branch representation in supposedly low-income areas gives them a better score on a key regulatory test that can help determine how fast they expand.

**Reckless stock trading leaves Congress rife with conflicts** | PoliticoPro

On the very day that [Sen. Ron] Wyden was decrying [HHS nominee Tom] Price’s bad judgment, Rep. Doug Lamborn, Republican of Colorado, bought shares of the same tiny Australian company, Innate Immunotherapeutics. Within two days three more members also bought in — Republicans Billy Long of Missouri, Mike Conaway of Texas and John Culberson of Texas. Conaway added more shares the following week.

These brazen decisions to gobble up shares of a little-known firm at the very moment when such trading was being decried as an abuse of power reflects Congress’ anything-goes culture around stock investments. In the pursuit of wealth, even obvious conflicts of interest are routinely ignored by members who feast on daily trades. Long, for instance, serves on a committee overseeing Obamacare, and Conaway is a deputy House whip.

The health care lawmakers who invested in Innate Immunotherapeutics are hardly alone in trading in companies that have a major interest in federal legislation, according to a three-month investigation and examination of all stock trades by members of Congress.

POLITICO found that 28 House members and six senators each traded more than 100 stocks in the past two years, placing them in the potential cross hairs of a conflict of interest on a regular basis. And a handful of lawmakers, some of them frequent traders and some not, disproportionately trade in companies that also have an interest in their work on Capitol Hill.
New York Fed: Household debt tops 2008 peak | PoliticoPro