This Week in Wall Street Reform | April 22 - 28, 2017

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TRUMP ADMINISTRATION & WALL STREET

Meet Craig Phillips, the Man in Charge of Trump's Review of Wall Street Rules | Wall St Journal
He and Mr. Mnuchin have known each other for decades, having both worked in the mortgage finance business—Mr. Mnuchin at Goldman Sachs Group Inc. and Mr. Phillips at Credit Suisse First Boston and then Morgan Stanley …

In the 1980s, Mr. Phillips worked at the Credit Suisse First Boston investment bank alongside Laurence Fink, part of a team that was at the cutting edge of creating complex new bonds made up of mortgages…

His Morgan Stanley group provided billions of dollars in financing for mortgages it could bundle and resell. They worked closely with subprime lender New Century Financial Corp., which went bankrupt amid accusations it coaxed borrowers into loans they couldn’t repay. Morgan Stanley later admitted its bankers failed to disclose to investors important information about mortgages as part of a $2.6 billion federal civil settlement.

What Trump Has Done for (and to) Your Finances | Bloomberg

Trump dumps FDR populism for Wall Street's embrace | Politico

Legislation Could Follow Executive Order on Failing Bank Provision | Morning Consult
“If the government doesn’t have the powers it needs to liquidate and wind down a failing mega-bank, we will just see banks holding up the taxpayer again during the next crisis,” Marcus Stanley, policy director at Americans for Financial Reform, said in a statement Friday.

Republicans Are Running Out of Time to Use Their Secret Weapon | Bill Moyers

Republicans Begin Final Push on Killing Obama-Era Regulations | NY Times
Mnuchin Supports Financial CHOICE Act | The M Report

Trump is undermining his own treasury secretary | Washington Post (Larry Summers)
Mnuchin has stated on multiple occasions that the administration’s tax proposals would not favor the rich. Whatever its other virtues, distributional neutrality is not a feature of the plan announced yesterday. Indeed, between massive corporate rate cutting, big tax cuts for the highest income individual taxpayers, elimination of the estate tax and other incentives, it is a certainty that the vast majority of the benefits of the plan will go to a very small fraction of tax payers…

Sessions says US will not back down on white-collar crime | Financial Times

Trump, GOP saving billions for workers | Rapid City Journal (Rep. Mike Rounds)

100 Days into the Trump Era, Working-Class ‘Searchers’ Who Voted for Him Are Having Doubts, Open to Appeals | Working America

Warren gives Trump’s first 100 days an ‘F’ | Politico
[F]irst he assembles a team of billionaires and bankers and hands the keys over to them. Says to Goldman Sachs, you figure out how to deregulate the economy. I mean, what could possibly go wrong?

Trump heads for clash with banks, EU in 'too big to fail' debate | Politico

In Latest Populist Betrayal, Trump Executive Order Unchains Wall Street Greed | Common Dreams
Lisa Gilbert, vice president of legislative affairs for watchdog group Public Citizen, described the orders signed Friday at the Treasury Department as "nothing more than special favors for the same Wall Street banks that crashed our economy in 2008 and put millions of Americans out of work."

TAXES

Trump Tax Plan Silent on Carried Interest, a Boon for the Very Rich | NY Times
[S]everal tax experts and Wall Street lawyers said that by not mentioning the matter at all, the administration seemed to be signaling that the tax proposal would effectively eliminate the unique taxation of carried interest.

That does not mean carried interest would be taxed at a higher rate than it is today. Instead, experts say, the tax rate for carried interest may well go down. That reading is based on the proposal subjecting pass-through entities — which include partnerships like private equity firms
and hedge funds — to a 15 percent tax rate, which is lower than the rate on capital gains and much lower than the top rate on ordinary income.

Trump’s Tax Plan Slashes Taxes for Big Banks – a Disaster for American workers | CNN (video)
AFR’s Senior Policy Analyst Alexis Goldstein appeared on CNN Newsroom with Brooke Baldwin on Wednesday, April 26th to discuss how the Trump Administration’s tax plan would benefit Wall Street and leave ordinary American workers behind.

In the segment, Goldstein asked the panel to “look at the optics of this announcement,” made by Secretary of the Treasury Steven Mnuchin and White House economic adviser Gary Cohn. “We have two former bankers from Goldman Sachs announcing a tax plan that—from the details that we do know—will dramatically cut taxes for big banks like Goldman Sachs.”

Goldstein pointed out that Trump’s proposed 15% pass through rate would benefit large banks and corporations over small businesses, as nearly 70 percent of small businesses are already paying a tax rate lower than or equal to those proposed by this plan, a point that the Center on Budget and Policy Priorities has written extensively about.

“Small businesses are already able to take advantage of lower tax rates,” Goldstein told CNN. “This is a plan that’s going to help large corporations. This betrays the promise that Steven Mnuchin made that there would be no absolute tax break for the wealthy.”

Trump tax plan gets lukewarm welcome on Capitol Hill | Politico

Trump Tax Plan Is a Trail of Broken Promises | Bloomberg

Demanding transparency and fairness from Trump tax plan | The Hill (Jon Green, Sarah Anderson and Frank Clemente)
What Americans want and will continue to demand is, of course, the exact opposite of what Trump’s tax plan represents. They want to see the loopholes closed and Wall Street paying more, not less. Senator Bernie Sanders and Representative Keith Ellison have proposed a sales tax on Wall Street transactions; that would be a good start. Working families pay taxes when they buy a car or a pair of shoes.

Instead of launching tax reform, Trump could ground it | Politico

Ryan likely to get rolled on tax reform | Politico

Could Trump’s Corporate Rate Cut to 15 Percent be Self-Financing? | Tax Foundation

Prospects for Tax Reform Featuring Treasury Secretary Steven Mnuchin | The Hill
Ex-Treasury Secretary Larry Summers just completely trashed the Trump tax plan | CNBC

CONGRESSIONAL ATTACKS ON FINANCIAL REFORM

How Consumer Financial Protections Could Be Rolled Back | Consumer Reports
“The level of venom directed at the Consumer Financial Protection Bureau, an agency that is successfully carrying out its mission of preventing tricks and traps that harm American families, is astounding,” said Lisa Donner, executive director of Americans for Financial Reform, a nonpartisan and nonprofit coalition of consumer and other citizen groups. “The changes proposed by the legislation only make sense if you want to weaken consumer protections and make it easier for Wall Street, and predatory lenders, to profit by cheating people.”

Financial Services Committee Holds hearing on Financial CHOICE Act | Lexology

Senate Banking Chair Sets Bipartisan Goal, expects Clash on CFPB | Morning Consult

Hensarling: Major parts of CHOICE will become law | Politico

Big banks battered as Dodd-Frank repeal debate kicks off | Politico
Throughout the hearing, the Republicans used television screens in the room to show quotes and news excerpts, including comments from executives at JPMorgan Chase and Morgan Stanley, promoting the idea that it’s not in the big banks’ best interests to repeal Dodd-Frank and that Hensarling was working against them.

"Look at the presidential election," Rep. Sean Duffy (R-Wis.) said. "Where did big banks on Wall Street give their money? Did they give it to Hillary Clinton, who supports Dodd-Frank, or did they give it to the Donald, President Trump, who wanted to do away with Dodd-Frank? They voted with their money."

Democrats pushed the opposite message, blasting Hensarling’s bill as a sweet deal for financial titans but a big risk to taxpayers and consumers. “It’s actually breathtaking, the naked purpose of this bill, to benefit the big banks in this country at the expense of the American taxpayer,” Rep. Stephen Lynch (D-Mass.) said at the hearing.

New Bill Would Undermine Consumer Financial Protection Bureau | Truthout (Dave Johnson)

Washington’s Busy Agenda is Getting More so With Bill to Roll Back Dodd-Frank | Washington Post
Dodd-Frank became law with almost no Republican support, and conservative lawmakers say it has fallen short of Obama administration promises that it would discourage risky behavior by big banks and prevent another taxpayer bailout of failing institutions.
Yet their efforts to undo the law have already hit some speed bumps. With Congress tied up with complex efforts to repeal and replace the Affordable Care Act, make significant changes to the tax code and pass a budget resolution to avoid a government shutdown, efforts to roll back Dodd-Frank have taken a back seat.

Rep. Jeb Hensarling (R-Tex.), chair of the Financial Services Committee, is pushing forward with legislation to effectively replace the 2010 law, and the bill is expected to come up for a House vote by mid-May. But Senate leaders have not indicated when they would take up the bill if it does pass, and many industry lobbyists say the measure could languish until late in the year or 2018.

Hensarling faces opposition from not only Democrats and consumer groups but also big-bank CEOs. Several industry leaders have said they do not support gutting the law, despite complaining for years about the regulatory burden.

**Republicans Begin Hearings to Peel Back Dodd-Frank** | New Hampshire Public Radio

**MARCUS STANLEY (Americans for Financial Reform):** This bill almost gives Wall Street veto power over the regulatory protections and oversight that are put in place.

**CHARLES LANE:** Stanley is most concerned with how the CHOICE Act fundamentally changes the relationship between watchdogs and industry. Under the Republican plan, rules aimed at protecting consumers can be blocked by businesses and then delayed while the case winds through federal court. At this point, it's not clear that the GOP has the votes to pass the CHOICE Act but Stanley says he will still be worried.

**Bring on the CHOICE Act -- a common sense alternative to Dodd-Frank** | Fox News (Rep. Mia Love)

**'Financial CHOICE Act 2.0' Blasted By Retailers & Lawmakers** | Consumerist

**Americans for Financial Reform** sent a letter to members of Congress Wednesday expressing opposition to the Act: “This legislation would be better dubbed ‘Wall Street’s CHOICE Act,’ as it would have a devastating effect on the ability of regulators to protect consumers and investors from Wall Street exploitation and the economy from financial risks created by too-big-to-fail megabanks,” the group said.

If passed, the “radical piece of legislation” would expose consumers, investors, and the public to “greatly heightened risk of abuse in their regular dealings with the financial system, and our economy as a whole to a far greater risk of instability and crisis.” “This legislation would be .

**House CHOICE Act an ‘Insult to Working Families:’ Warren** | Credit Union Times

**Republicans torn as Hensarling forces fight over debit fees** | Politico
Financial CHOICE Act of 2017 Faces Opposition in Second Hearing | ACA International

Members of the House Financial Services Committee who oppose the Financial CHOICE Act of 2017 convened a hearing Friday to discuss the proposed legislation with witnesses including U.S. Sen. Elizabeth Warren, D-Mass., who is the architect of the Consumer Financial Protection Bureau (CFPB), and Rohit Chopra, the CFPB’s former student loan ombudsman.

See social media compilation (Storify) on Apr. 26 hearing

See testimony by AFR’s Amanda Jackson.

See AFR letter, joint letter, and compilation of other letters, statements, and fact sheets.

CONSUMER FINANCE & THE CFPB

Leadership behind push to kill consumer protections for prepaid cards agreed to $53M FTC settlement | News 5 Cleveland

Major consumer protections slated to take effect next spring for users of prepaid credit cards would go away if a push succeeds to have Congress kill the safeguards before a deadline early next month.

Scripps News has discovered the president-elect of the largest trade group vying to block the protections, which require increased transparency across the industry, also leads a prepaid company that agreed in March to a $53 million settlement with the Federal Trade Commission after the government charged that it repeatedly deceived consumers.

National consumer advocates say the revelations about the leadership of the Electronic Transactions Association, which represents 550 members of the prepaid industry, only adds to the need for more industrywide protections.

Need Help Fighting the CFPB? One Company Turns to Trump’s Justice Department | National law Journal

CFPB Officially Delays Effective Date of Prepaid Accounts Final Rule | National law Review

Grover Norquist Supports resolution to repeal Prepaid Card Rules | Americans for Tax Reform

CFPB delays prepaid card rule to April 2018 | Politico

CFPB prepaid-rule changes muddle CRA support | Politico
Repeal of Prepaid Card Protections Would Harm Consumers | Pew

Fight over CFPB prepaid rule coming to a head | American Banker

Financial CHOICE Act Exempts Payday and Car Title Lenders from CFPB Regulation | CRL

‘Financial Choice Act 2.0’ Would Eliminate Government’s Ability to Go After Shady Payday Loan Operations | Consumerist

Financial Choice Act: A Cruel Choice for the CFPB & Consumers | U.S. PIRG

Wells Fargo Shareholders Tepidly Re-elect Bank’s Directors | NY Times

Wells Fargo board survives shareholder vote | Politico

Shareholder Revolt At Wells Fargo -- The Threat Of The Choice Act | Forbes

Constitutional accountability of the CFPB will help Illinois residents | rrstar.com (Rep Randy Hultgren)

More Republican representatives speak out against CFPB | Housing Wire

Veterans Have a Right to Bring Class Actions, Court Rules | Wall St Journal

CFPB hits auto loan servicer for $2.4M | American Banker
The Consumer Financial Protection Bureau ordered an auto loan servicer on Wednesday to pay $2.4 million in fines and redress to consumers for failing to abide by a 2015 consent order alleging it bullied members of the military.

Auto Lender Fined $1.25M for Failing to Issue Refunds to Servicemembers | Consumerist

Wells Fargo, JPMorgan Wary of Auto Loans, Pack Them in Bonds | Bloomberg

U.S. hits Mason auto finance firm with new $1.25M fine | Cincinnati.com

Subprime auto lenders put on notice over ties to shady dealers | American Banker

Tribe-owned online lenders collected on invalid debts | Washington Post
Federal regulators sued four online lenders for collecting consumer debts they weren’t legally owed, an area that is a prime source of consumer complaints. The Consumer Financial Protection Bureau filed the suit Thursday against the lenders, saying they illegally took money
from consumers' bank accounts for debts that weren't valid because loans violated state laws. It says the high-cost online loans, with annual interest rates from 440 percent to 950 percent, violated licensing requirements or interest-rate caps, or both, making them void in at least 17 states. The four lenders, Golden Valley Lending, Silver Cloud Financial, Mountain Summit Financial and Majestic Lake Financial, are owned by the Habematolel Pomo Tribe, an American Indian tribe in Upper Lake in northern California.

**Federal regulator ratchets up effort to regulate tribal lenders, suing four in California** | LA Times

**CFPB sues four online tribal lenders over alleged illegal debt collection** | American Banker

**CFPB Slams Online Lenders** | PYMNTS

**Four Online Lenders Sued by Consumer Financial Protection Bureau** | Kansas City infoZine

**CFPB to hold May hearing on small-business loans** | American Banker

**Ocwen Claims CFPB Is Unconstitutional, Asks Court to Dismiss Suit** | Banker & Tradesman

**Trump’s plan to kill consumer safeguards will be catastrophic to N.J.’s working families** | NJ.com (Beverly Brown Ruggia)

**OCC official: Fintech charter wouldn't weaken consumer protections** | Politico

**In fintech speech, Curry says banking must continue to grow** | Politico

**Brainard concerned over balancing consumer benefits of fintech with cybersecurity** | Politico

**Richard Cordray's tenure as CFPB Director is uncertain** | Ballard Spahr

While it is very hazardous to predict what President Trump will do, I doubt whether he will try to remove Director Cordray either for cause or without cause. As things now stand, the only event which could change my opinion would be if the Court of Appeals en banc in the PHH case were to reach the same conclusion as the 3-judge panel in the case – namely, that the CFPB was unconstitutionally structured and the appropriate remedy is to enable the President to remove the Director without cause – and the en banc judgment were to become final before Director Cordray’s term ends on July 16, 2018 (which is only 15 months away). In my view, the likelihood of those events happening before July 16, 2018 is remote.
ENFORCEMENT

**Ex-Jefferies Trader Gets 2 Years for Lying on Prices, Again | Bloomberg**
The former Jefferies LLC managing director was an aggressive negotiator when trading mortgage-backed bonds, bending the truth or even falsifying chat transcripts in order to maximize his earnings.

On Wednesday Litvak learned his punishment: two years behind bars and a $2 million fine for lying to a customer about bond prices. Litvak was found guilty at a trial in January -- although on just one of 10 counts -- after his first conviction was reversed on appeal.

HEDGE FUNDS AND PRIVATE EQUITY

**Will Hedge Fund Millionaires Flee South If They Face Higher Taxes? | International Business Times (Josh Keefe & David Sirot​a)**
During his presidential campaign, Donald Trump pledged to eliminate tax provisions that allow Wall Street money managers to pay a lower tax rate on their compensation than most middle-class people pay on their income. Financial executives taking advantage of the tax maneuver “are getting away with murder,” he said. Yet since taking office — and subsequently populating his administration with finance industry moguls — Trump has gone silent on the issue.

That does not mean the fight over the carried interest tax loophole is dormant: On the contrary, in states near the New York City epicenter of the hedge fund and private equity industries, lawmakers are pursuing a coordinated strategy to close the loophole and recoup billions for their state’s operating budgets.

**Hedge Funds Jump on Gold for Life Raft as Dollar Ship Sinks | Bloomberg**

**Investor-State Dispute Settlement (ISDS) Suits Become Favored Hedge Fund Investment | Naked Capitalism**

**Private equity ownership common in retail bankruptcies | Newsday**

INVESTOR PROTECTION AND THE SEC

**A Whack at Dodd-Frank Could Hamstring the S.E.C. | NY Times**
To address the theme of being tough on Wall Street, a favorite rhetorical target of both parties, the legislation would increase the maximum penalties the S.E.C. can impose for violations, including a top corporate fine of $10 million per violation. It also adds a fourth tier of penalties that triples the fine for recidivists.
But whether higher financial penalties will have any appreciable effect is an open question, especially for companies earning billions in profits that may view a few million dollars as a trivial reprimand. What’s more, another provision would require the S.E.C. to determine if a corporate penalty will harm shareholders. That could discourage large fines by allowing opponents of corporate liability to claim that innocent investors will be stuck paying the price.

**Senate to advance SEC nominee on Monday** | Politico

**Warren, other Senate Democrats urge SEC to preserve ‘conflict minerals’ rule** | Politico

**Steve Cohen dragged back into Fairfax lawsuit** | Financial Times

**MORTGAGES, FORECLOSURES & HOUSING**

**Crapo sees bipartisan support for housing reform** | Politico

**Crapo eyes May hearing on Fannie, Freddie** | Politico

**Ocwen fights Illinois, Massachusetts sanctions** | Politico

**Community banks want Fannie, Freddie capital preserved** | Politico

**House passes Fannie, Freddie FOIA bill** | Politico

**Trump picks Pam Patenaude to serve as HUD deputy secretary** | Housing Wire

**REGULATION IN GENERAL**

**Republicans Take Next Step in U.S. Deregulation With Senate Bill** | NY Times

Republican lawmakers launched the next round in their fight against federal regulation on Wednesday, helped by at least one Democrat, as the U.S. Senate began work on legislation to change nearly every step agencies take in creating and applying new rules…

Just before Trump's January inauguration, the House of Representatives passed the "Regulatory Accountability Act," combining a half dozen bills to radically change government regulation.

**Obama Regulators Failed to Follow Law, OMB's Mulvaney Says** | Bloomberg

Mulvaney’s remarks about cost-benefit analysis in the Obama administration are patently false, said a former Obama administration official, who requested anonymity to frankly discuss the accusations. All anyone needs to do is look at the regulatory impact analysis (RIA) that accompanies each of the significant regulations issued during the previous administration to see
a detailed concern with all of the costs, the official said. “And those RIAs have to stand up to scrutiny, because they can get challenged in court as part of the record of the rule,” the official said. What Mulvaney is saying denigrates the career staff in his own organization, who have worked faithfully across administrations, and ignores the fact that anyone can look immediately at any of the RIAs or the cost-benefit report sent to Congress each year, the official said.

RETIREMENT SECURITY & FIDUCIARY DUTY RULE

On fiduciary rule, Trump could actually add more exemptions  | Financial Planning
To effectively undo the fiduciary rule, the Trump administration may have to take an alternative path to wholesale rescinding the controversial regulation.

"It is remarkably difficult to do rule-making," said Aron Szapiro, director of public policy research at Morningstar. "It requires you to check a lot of boxes. If you do it wrong, you will be challenged in court."

The Labor Department’s extensive impact analysis conducted in 2016 under the Obama administration "makes it very difficult to unwind everything," Szapiro told attendees at Morningstar's annual conference.

Retirement savings should be protected  | Apache Junction/Gold Canyon Independent (Diana Brown, Arizona PIRG)

The Benefits of Being a Fiduciary  | Wilmington Biz (Susan Willett)
Fiduciaries have been around for hundreds of years. In fact, the idea of fiduciaries started back in feudal times, when knights went off to fight in the Crusades and had to leave their estates for many years. They needed someone with which they could trust their livelihoods who would treat the property the way the knight would treat it...

A fiduciary must act as the owner would act. He must place himself in the position of the owner and act as the owner would act. A fiduciary must be impartial between beneficiaries, and his first duty must be to the client, above himself or anyone or anything else. Some may think this is a huge burden, but it's actually a privilege.

Senate confirms Trump Labor secretary  | The Hill
The Senate confirmed another member of President Trump's Cabinet, Labor Secretary Alexander Acosta, on Thursday. President Trump's second choice to run the Labor Department was confirmed in a 60-38 vote, just ahead of the president's 100th day in office. The former Republican member of the National Labor Relations Board (NLRB) takes the helm of the Labor Department at a time when worker tensions are rising across America.

SEC Should Write Fiduciary Rule, Acting Chairman Says  | Wall Street Journal
SEC Fiduciary Rule Becomes an Increasing Possibility | Financial Advisor

As DOL fiduciary rule stalls, acting SEC chairman seeks to have agency step in | Pensions and Investing

What you need to know about your financial adviser | CBS News

7 Questions--and Answers--About the Fiduciary Rule | Morning Star

Interesting Angles on DOL’s Fiduciary Rule #44 | National Law Review

Keeping an eye on the prize despite uncertain 100 days | Pensions & Investments

The fiduciary rule 'delay' showcases Washington bureaucracy at its finest | The Hill (Douglas Holtz-Eakin and Meghan Milloy)

Trump Republicans undercut wages & protections for working people | NJ Today

Mass. Securities Cop Blasts ‘Choice Act’ | Barron’s

Advisor Coalition Urges Congress To End Fiduciary Rule Delay | Financial Advisor

No slow down in recruiting at Raymond James as it prepares for fiduciary rule | Investment news

CHOICE Act hearing to replace Dodd-Frank draws battle lines | Pensions & Investments

STUDENT LOANS & FOR-PROFIT SCHOOLS

Betsy DeVos revokes Obama’s student loan protections | UFT
The Obama administration’s policies were a response to numerous complaints to the Education Department and the Consumer Financial Protection Bureau over bad behavior from student debt-collection agencies.

“DeVos’ action today moves us away from true accountability and creates dangers for the very student-loan borrowers the department is responsible for protecting,” said Alexis Goldstein, a senior policy analyst at Americans for Financial Reform.

Court Denies Consumer Protection Bureau Request to Investigate For-Profit College Accréditor | Wall Street Journal
3,000 New Yorkers may get student loans canceled | Business Journal

At some colleges that recruit veterans and their GI Bill money, none graduate | Hechinger Report

North Carolina opens investigation into for-profit law school | Politico Morning Edition

A.G. Schneiderman Provides Guidance to Former Corinthian Students | Long Island.com

**SYSTEMIC RISK**

MetLife urges court to pause FSOC appeal during Trump review | PoliticoPro

MetLife, citing the Trump administration's new review of the Financial Stability Oversight Council, is asking a federal court to suspend the case that will determine whether the life insurer should have been designated as a "systemically important financial institution."

MetLife has been defending a lower court decision that threw out its SIFI designation by FSOC. A looming question over the case has been whether the new administration would continue an appeal that began under President Barack Obama.

MetLife's Attempt to Avoid a Court Judgement by Forum Shopping Should be Rejected | Better Markets (Dennis Kelleher)

Wells Fargo has satisfactory 'living will' plan: Fed | Reuters

ABA argues against Tarullo's call for higher capital levels | Politico

Regulators approve Wells Fargo's living will revisions | Politico

Alvarez: AIG should have been liquidated during crisis | Politico

Reviving Glass-Steagall: A solution in search of a problem | The Hill (Craig Pirrong)

**OTHER TOPICS**

Warren: I was ‘troubled’ by Obama’s Wall Street speaking fee | Politico

Obama spokesman Eric Schultz defended the former president’s speaking engagement, noting Obama passed “the toughest reforms on Wall Street since FDR,” despite receiving more money from Wall Street than any prior candidate in history.