CONSUMER FINANCE & THE CFPB

Putting an End to Abusive Car Loans
Editorial, N.Y. Times, 6/14
Auto loans have long been a bastion of predatory lending and racial discrimination. Until the federal Consumer Financial Protection Bureau was established, auto lending by banks was only lightly regulated, and lending by nonbank finance companies escaped federal regulation altogether. Greater scrutiny of banks by the bureau since 2013 has resulted in fines totaling $18 million and in payments totaling $136 million to 425,000 black, Hispanic and Asian borrowers who were charged higher auto-loan interest rates than comparable white borrowers. Now, in a regulatory breakthrough announced last week, the consumer bureau has begun to supervise nonbank auto lenders, which make up some 40 percent of the auto-loan market and provide financing to more than seven million consumers a year.

The new supervisory framework will allow regulators to oversee at least 90 percent of all nonbank auto loans and leases, including subprime loans, which are intended for borrowers with damaged credit histories. Small lenders that generally operate locally and are supervised by state regulators will not be federally regulated.

CFPB sues Ohio-based auto loan company
Lydia Wheeler, The Hill, 6/17

CFPB Sues Auto Lender for Aggressive Debt Collection Tactics Against Servicemembers
Ashlee Kieler, Consumerist, 6/17

Consumer Financial Protection Bureau’s new rules could spell the end for payday lenders
Michael Seale, Birmingham Business Journal, 6/17
Two new reports issued recently have found that the Consumer Financial Protection Bureau’s proposed payday lending rules would cause a vast majority of lenders to close down, due in large part to a new requirement that non-bank payday lenders refuse credit to those who fall below a certain payment-to-income ratio.

The first report, from credit reporting agency Clarity Services, concluded that the mono-line payday storefront business would lose more than 70 percent of its volume and would likely have to shut down under the new CFPB rule. The report’s author, former CFPB assistant director of research Rick Hackett, examined the most comprehensive dataset of payday lending transactions to date – more than 87 million small-dollar loan records from five major lenders – which were offered to the CFPB and other researchers to help foster a more comprehensive understanding of why consumers choose payday loans and how the loans work.
Separately, a report released last week from Charles River Associates, a global consulting firm, evaluated the impact of the CFPB’s proposed rule on small businesses. It found that, when applied to 2013 data, the rule would have reduced the loan revenues of payday lenders by an average of 82 percent.

**Obama-Elizabeth Warren payday lender rules slammed by Florida Democrats**
Kelly Riddell, Washington Times, 6/17
Florida’s congressional Democrats are rebelling against the new financial oversight agency championed by President Obama and liberal icon Elizabeth Warren, slamming its proposed payday lenders rules as a bad example of a “one-size-fits-all policy” that will limit consumers’ banking choices.

Among those joining the fight are Rep. Debbie Wasserman Schultz, Mr. Obama’s handpicked chairwoman of the Democratic National Committee, and Reps. Alcee L. Hastings and Corrine Brown, the two longest-serving Florida Democrats in Congress. At issue are new payday lender rules proposed this spring by the Consumer Financial Protection Bureau, the government’s newest federal regulator created by the 2010 Dodd-Frank Act, that take aim at an industry frequently used for banking services by minorities, the poor and the elderly.

**Rules on lending practices upheld**
Peggy Heinkel-Wolfe, Denton Record-Chronicle, 6/10

**Payday industry moves to halt ballot measure**
Jonathan Ellis, Argus Leader, 6/10

**Sen. Franken Speaks Out Against Payday Loans In St. Paul**
CBS Minnesota, 6/13

**Rules threaten payday loans for low-income borrowers**
Jeffery H. Joseph, Detroit News, 6/10

**Payday lender numbers shrink by a third in response to new rules**
Emma Dunkley, Financial Times, 6/11

**Grassroots group launches campaign to limit amount payday lenders charge**
John Pepitone, Fox 4KC News, 6/11

**James takes on predatory payday lending**
Allison Kite, Kansas City Business Journal, 6/11

**Pennsylvania lawmakers must remain vigilant in keeping out predatory lending**
Rev. Amy Reumann, Letter, Lower Paxton Patriot News, 6/16

See California Department of Business Oversight report on payday lending activity in 2014.

**U.S. Senators Propose Military Consumer Protection Act**
ACA International, 6/17

“Card Popping” Targets Military Personnel
Clark Howard Money in Your Pocket, 6/17

**Auto title lenders snagging unwary borrowers in cycle of debt**
Los Angeles Times/Omaha World, 6/15

**Hill Threats to CFPB Escalate as CFPB Protects Consumers, Servicemembers**
Ed Mierzwinski, US PIRG Blog, 6/17
CFPB Takes Action Against Medical Debt Collector
Tim Bauer, Inside ARM, 6/19

House Panel Reopens Battle over CFPB Funding
Victoria Finkle, American Banker, 6/17

Appropriations amendment would delay arbitration rule
Zachary Warmbrodt, Politico, 6/17

See joint letter opposing appropriations bill, and AFR letter opposing anti-consumer amendments. Also see joint press release on delivery of petitions in which 78,000 consumers ask CFPB to curb the practice of forced arbitration.

CFPB to delay controversial mortgage disclosure rule
Daniel Goldstein, MarketWatch, 6/17

Goldman to Move into Online Consumer Lending
Michael Corkery and Nathaniel Popperjune, New York Times, 6/15

Quicken Loans Takes on the U.S.
Peter Rudegeair, Wall Street Journal, 6/14

The CFPB Renews Enforcement Emphasis on the Loan Originator Compensation Rule
Press Release, Venable LLP, 6/17

Banks Feel Pinch from Declining Overdraft Fees
AnnaMaria Andriotis & Peter Rudegeair, Wall Street Journal, 6/16

CFPB's Prepaid Card Rules Would Squelch Financial Inclusion
Brad Fauss, American Banker, 6/15

Regulators crack down on robocalls, spam texts
David McCabe, The Hill, 6/18

DERIVATIVES, COMMODITIES & THE CFTC

House passes CFTC reauthorization bill
Larry Drelling, High Plains/Midwest Journal, 6/17
House Agriculture Committee ranking member Collin Peterson, D-MN, voted against the reauthorization vote, saying it rolled back important financial reforms, curtailed negotiations with foreign regulators and made it more difficult for the CFTC to do its job...

“Let me be clear, I don’t have an issue with many of the provisions relevant to end-user protections. Dodd-Frank states very clearly that end-users were not the problem and the CFTC has been very receptive to that fact. One of my biggest concerns is the bill’s new cost-benefit analysis. This is all cost and no benefit, unless you’re one of the nine big banks who, as far as I’m concerned, have not learned a thing from the financial crisis. This not only adds an unneeded layer of government bureaucracy, it opens the door to lawsuits from the major banks seeking to delay or completely derail CFTC rulemakings.”

House proposes flat CFTC funding
Zachary Warmbrodt, Politico, 6/17
DODD-FRANK AND LEGISLATIVE ATTACKS

Financial overhaul loses steam
Kevin Cirilli, The Hill, 6/17
“…Shelby’s effort to attract support from centrist Democrats on the Banking panel — particularly Sens. Mark Warner (Va.), Joe Donnelly (Ind.), Jon Tester (Mont.) and Heidi Heitkamp (N.D.) — appear to be making little headway, sapping momentum from the effort.”

ENFORCEMENT

Regulators Near Pacts to Settle U.S. Rate Probes
Newswire, Dow Jones Business News, 6/17
“U.S. authorities have been investigating the ISDAfix for several years, as they work their way through probes of banks' alleged manipulation of various benchmarks. Six global banks have paid more than $9 billion to U.S. and European authorities to resolve charges of foreign-currency manipulation, and a similar group of banks has paid more than $8 billion to settle comparable charges of manipulating the London interbank offered rate, or Libor. The ISDAfix investigation isn't expected to result in fines as large as those arising from the other two probes, people familiar with the matter said.”

Big Banks and America's Broken, Two-Tiered Justice System
Rep. Maxine Waters, American Banker, 6/17

Regulators Stop Illegal Trades On Silicon Valley's 'New Wall Street' Exchange
Owen Davis, International Business Times, 6/17
Silicon Valley startup Sand Hill Exchange dubbed itself “The New Wall Street,” allowing ordinary people to invest in startups. Now the firm has gotten a taste of what old Wall Street has long since grown accustomed to: tough love from financial regulators.

The Securities and Exchange Commission announced Wednesday that it had shut down Sand Hill’s complex derivatives trading operation and entered a $20,000 settlement with the company over charges that it violated securities trading laws.

SEC announces enforcement action for illegal offering of security-based swaps
Automated Trader, 6/17

EXECUTIVE COMPENSATION

SEC Could Make Gabelli Pay New Front in Fight Over Income Divide
David Michaels, Bloomberg, 6/18
Mario Gabelli, Leslie Moonves, and David Zaslav make tens of millions of dollars annually, which routinely lands them on lists of the highest-paid corporate chiefs in the U.S. Now, the government is poised to shine a brighter spotlight on how much more they earn than their employees, handing interest groups a new weapon to use when protesting rising income inequality.

The U.S. Securities and Exchange Commission, facing intense corporate opposition, is planning to vote as soon as August 5 on a rule that will force public companies to publish a ratio that compares the chief executive officer’s reported pay with that of their typical worker, according to two people familiar with the matter who asked not to be named because the agency’s schedule isn’t public.

Activist Funds Put Executive Pay Formulas Under Microscope
Liz Hoffman, Wall St. Journal, 6/11
How we calculated executive compensation
Editorial, Automotive News, 6/15

Is Shareholder Dissent With Caterpillar, Inc.'s Executive Compensation Justified?
Daniel Miller, Motley Fool, 6/17

Colorado Springs gaming company eyes change in executive pay policy after close vote
Wayne Heilman, The Gazette, 6/17

FEDERAL RESERVE

Federal Reserve releases statement on AIG decision (Starr International case)
Press Release, Federal Reserve, 6/15

INVESTOR PROTECTION & THE SEC

Democrats Are Fed Up with the SEC’s Weak Financial Crimefighting
David Dayen, The New Republic, 6/18
The lead agency for investor protection isn’t a natural target for the party’s liberal wing, compared to agencies that defend consumers or regulate banks. But half of all Americans own some form of stock, and their investments can be put at risk by the SEC’s lenient attitude. More important, the securities industry has insinuated itself into more of American life. Individuals and small business increasingly get loans through the capital markets; our 401(k) plans are based on publicly traded investments; and crowdfunding and securitization have given these industry players a central role in our entrepreneurship, our mortgages, our higher education funding, and so on.

“We marketized our retirement system, we marketized our banking system, and the SEC is the main securities regulator,” said Marcus Stanley, policy director for the coalition Americans for Financial Reform.

SEC Chair’s Conflicts Fuel Sympathy for Wall Street, Group Says
Robert Schmidt and Dave Michaels, Bloomberg, 6/16
A new report said U.S. Securities and Exchange Commission Chair Mary Jo White let her longstanding ties to Wall Street skew her ability to police the finance industry, adding to the litany of complaints by left-leaning groups about her tenure. The 65-page study by Rootstrikers, a nonprofit that pushes for campaign finance reform, comes as liberal organizations are increasingly questioning whether regulators are captured by big banks. The report, released Tuesday, criticizes White’s work as a corporate defense lawyer, her recusals from some SEC enforcement cases and her propensity for hiring aides who previously worked in the industry.

“White both embodies and promotes the revolving door between government regulator and regulated industry that empowers Wall Street insiders at the expense of investors and society writ large,” the report said.

Obama pushed to fill SEC vacancies with corporate-giving rules in mind
Lydia Wheeler, The Hill, 6/12

SEC Needs an Injection of Backbone, Charges Consumer Coalition
Ted Knutson, Financial Advisor, 6/18/15
Americans for Financial Reform, a consumer coalition that helped bring about the Dodd-Frank Act, added its voice Tuesday to the chorus of liberal activists charging the Securities and Exchange Commission is too weak. ‘The SEC is one of the financial watchdogs that was too often asleep at the switch in the years leading up to the disaster of 2008-09. It needed an injection of backbone then, and sadly, it still does.’”
SEC’s Mary Jo White Under Fire Over Conflict Of Interest
Mark Melin, ValueWalk, 6/17
Americans for Financial Reform sent a letter to the White House yesterday expressing concerns regarding the upcoming appointments. ‘Too often, nominees to serve on the SEC have been ‘revolving door’ insiders with a history of moving back and forth between Wall Street firms seeking to escape accountability and the agency charged with defending the public interest,’ they wrote in the letter. ‘At best, the revolving door creates a situation where key commissioners must repeatedly recuse themselves from critical enforcement or rulemaking decisions, which is highly problematic. At worst, it leads to decisions that are systemically biased toward the interests of financial industry insiders and away from the public and investor interest.’”

SEC’s Stein warns of risks looming within popular mutual funds
Clea Benson, Politico, 6/15
“In a speech at the Brookings Institution, Kara Stein raised concerns with three trouble spots for mutual funds: how quickly investors can redeem their money, funds’ leverage and alternative funds they might not understand. ‘Retail investors assume that their investments in registered funds are fairly liquid and can be redeemed quickly, Stein said. “But I am concerned that this assumption now may be misplaced given some of the new, complicated registered funds that have entered the marketplace.’”

Did SEC chief of staff get a golden parachute?
Kevin G. Hall, McClatchy, 6/10
The AFL-CIO on Tuesday wrote to SEC Chair Mary Jo White demanding to know what sort of perks Andrew Donohue received when he left the Wall Street titan for a job as a regulator … Of particular interest to opponents of Donohue’s appointment is the Stock Incentive Plan at Goldman Sachs. It reportedly has a clause allowing the accelerated vesting of stock awards or equivalent cash payments when a Goldman exec resigns to enter government service.

Wall Street ties of new SEC chief of staff questioned by AFL-CIO
Kevin G. Hall, McClatchy, 6/9
“The AFL-CIO on Tuesday wrote to SEC Chair Mary Jo White demanding to know what sort of perks Andrew Donohue received when he left the Wall Street titan for a job as a regulator … Of particular interest to opponents of Donohue’s appointment is the Stock Incentive Plan at Goldman Sachs. It reportedly has a clause allowing the accelerated vesting of stock awards or equivalent cash payments when a Goldman exec resigns to enter government service.”

See Roostrikers report, “Mary Jo White, The SEC, and the Revolving Door”

See AFR letter urging President Obama to nominate SEC commissioners with a demonstrated commitment to investor protection and Wall Street reform.

MORTGAGES & HOUSING

Regulator Restricts Mortgage Operations of Six Big Banks
Nathaniel Popper, N.Y. Times, 6/17
JPMorgan Chase, Wells Fargo and four other big banks are facing new restrictions on their mortgage operations after a federal regulator determined the banks did not do enough to fix problems in their foreclosure practices in the aftermath of the financial crisis.

The banks had promised in 2011 to change the way they handled foreclosures in a consent order with the Office of the Comptroller of the Currency, a top bank regulator.
The O.C.C. said Wednesday morning that three large banks — Bank of America, Citigroup and PNC Financial — had complied with the 2011 order and an amended version in 2013 and no longer faced restrictions.

HUD Again Eases Up on Reverse Mortgage Foreclosures
Bonnie Sinnock, National Mortgage News, 6/12
More than Half of Underwater Homeowners Are Nowhere Near Re-Surfacing
Press Release, Zillow, 6/12

Four Metro Areas Account For 10 Percent of Nation’s Completed Foreclosures
Brian Honea, DSNews, 6/10

Realtors issue a blunt assessment of problems facing their business
Kenneth R. Harney, Washington Post, 6/10

See new report from ACCE Action & Center for Popular Democracy, “Do Hedge Funds Make Good Neighbors? How Fannie Mae, Freddie Mac and HUD Are Selling Off Our Neighborhoods to Wall Street”

OCC to Escheat Funds from the Foreclosure Review, Terminates Orders against Three Mortgage Servicers, Imposes Restrictions on Six Others
Press Release, Office of the Comptroller of the Currency, 6/17

California Court Rules Governor Brown Unlawfully Diverted $331 Million from National Homeowner Special Deposit Fund
NAAC Blog, 6/15

POLITICAL INFLUENCE OF WALL STREET / REVOLVING DOOR

Emails Reveal Coziness Between Koch Lobbyists and Regulators
Lee Fang, The Intercept, 6/12
As Zach Carter of the Huffington Post reported, the House of Representatives on Tuesday passed a major regulatory roll-back supported by Wall Street banks and the Kochs. The legislation would affect the post-financial crisis reforms designed to rein in the global derivatives market.

Just as Citigroup lobbyists authored their own deregulation bills in Congress, the Koch emails reveal just how comfortable the regulators and the lobbyists who curry their favor feel with each other, even as the latter are besieging the former with information and pressure that benefits their very rich clients. Gregory Zerzan, a former Treasury Department official during the George W. Bush administration, went on to work for the International Swaps and Derivatives Association before becoming a Koch lobbyist.

See related stories under INVESTOR PROTECTION & THE SEC

PRIVATE EQUITY & HEDGE FUNDS

Are Private Equity Firms Government-Sponsored Enterprises?
Eileen Applebaum, CEPR, 6/19/15
PitchBook data tracks 300 public pension funds that are currently invested in private equity (PE) funds, many with investments in multiple funds. Public pension funds—the deferred income of public sector workers whose services are paid for by taxpayers—are the largest source of equity committed to private equity funds. An analysis of PitchBook’s data on limited partners (LPs) finds a combined capital commitment of $425.7 billion to U.S. private equity funds from pension funds, sovereign wealth funds and government agencies over the years 2004 to 2014. Public pension funds accounted for $407.6 billion of this total... [P]ublic sources provided between 20 and 37 percent of total capital committed to U.S. PE funds over this period.

Taxpayers underwrite private equity in other ways as well. Best known perhaps is the carried interest loophole in the tax code, which lets the general partners (GPs) of private equity funds pay the lower capital gains tax rate on a big chunk of their incomes—so-called carried interest. Carried interest paid to GPs of PE funds is typically 20 percent of the funds’ profits despite GPs having put up only one to two percent of the fund’s capital.
When Private Equity Firms Give Retirees the Short End
Gretchen Morgenson, N.Y. Times, 6/13
The secrecy under which this $3.5 trillion industry operates has essentially required millions of people whose pensions are invested in these funds to simply trust that they are being treated fairly.

Yet the funds impose fees under terms that create conflicts of interest between investors and general partners who run private equity firms. A little-known practice involves discounts that the firms obtain from lawyers and auditors but do not always share fully with investors. A dive into regulatory filings over the last month revealed that 12 private equity firms said they had actual conflicts of interest in connection with such discounts, while 29 more described potential conflicts.

RETIREMENT FINANCE AND DOL FIDUCIARY RULE

Battle Continues Over Fiduciary Rule for Retirement Investments
Daisy Maxey, Wall St. Journal, 6/14
Of all the regulatory battles in Washington, one in particular could affect the retirement savings of millions of investors for years to come.

At the center of the conflict is a proposal by the Department of Labor that it says offers a new level of protection for investors in their dealings with brokers and other financial professionals who give advice on retirement accounts and defined-benefit plans. The proposal would require these professionals to always act in the best interest of their clients. The so-called best-interest standard is known as a fiduciary duty.

Republicans move to block Obama's financial adviser rules
Kevin Cirilli, 6/17

Changing the Behavior of the 99 Percent
Barbara Roper, Huffington Post, 6/18
Our current rules are aimed at going after the "1 percent" of financial professionals who engage in conduct so egregiously abusive that it (sometimes) prompts a regulatory response. Those cases are more common, and less likely to result in effective enforcement, than some in the industry would like to admit. But they are not the target of the DOL rule.

Instead, the DOL effort is aimed at changing the behavior of the 99 percent, who are not only free under existing regulatory standards to put their own financial interests ahead of their customers', they are often actively encouraged to do so by deeply ingrained industry compensation and business practices.

Whose interest does your financial advisor serve?
Steve Vernon, CBS MoneyWatch, 6/8

Why Wall Street's DOL killer threat -- that 'millions' of IRA investors will go unadvised under new rules -- is hogwash
Ron Rhoades, RIABiz, 6/8

Chamber of Commerce study fatally flawed
Robert C. Lawton, Employee Benefit News, 6/10

SEC Scrutinizing Stapled Transactions
Arleen Jacobius, Pensions & Investments Online, 6/15

See House Education subcommittee report, “‘Fiduciary’ Rule Would Have Serious Consequences for Working Families, Small Businesses”
STUDENT LOANS & FOR-PROFIT EDUCATION

Eliminate purveyors of student debt relief
Editorial, Spokesman Review (WA), 6/13
With graduation, millions of American students are beginning to awaken to the burden of student loans that have climbed to a total $1.3 trillion. Staggering. Luckily for them, there are many businesses anxious to help them negotiate easy repayment plans. They’ll hardly feel the pain.

Until, that is, they cannot stop a monthly draw on their bank account or find themselves paying fees to companies that have done nothing to help them that they could not have done for themselves with a little more help.
The MO of these “student debt relief companies” closely resembles that of the mortgage debt relief companies that preyed on homeowners unable to keep up with their mortgages during the Great Recession of a few years ago. Many of those borrowers had lost their jobs and seen the value of their homes plunge and monthly payments soar as balloons kicked in and rate adjustments made recovery all but impossible.

Congress Takes Another Stab at Undercutting Gainful Employment Rules Two Weeks Before Implementation
Ashlee Kieler, The Consumerist, 6/17

Pursue the Corinthian execs
Editorial, Miami Herald, 6/13

Predatory College
Editorial, Toledo Blade, 6/15

Corinthian Colleges Grilled Over How It Failed
Peg Brickley, Wall St. Journal, 6/12

New help for fraud victims of Corinthian’s for-profit colleges
Nanette Asimov, San Francisco Chronicle, 6/12

Consumer Watchdog says Goodbye to Student Loan Pointman
Danielle Douglas-Gabriel, Washington Post, 6/17

House FY16 Education Funding Bill Blocks Gainful Employment Rule, Cuts Student Aid
Lauren Asher, Institute for College Access & Success, 6/16

Clinton: Stop For-Profit Colleges from Targeting Veterans
Sam Frizell, Time, 6/19

Hillary takes aim at for-profit colleges
Ben Kamisar, The Hill, 6/18

The Watchdogs of College Education Rarely Bite
Andrea Fuller and Douglas Belkin, Wall St. Journal, 6/17
Nearly 350 out of more than 1,500 four-year colleges now accredited by one of six regional commissions have a lower graduation rate or higher student-loan default rate than the average among the colleges that were banished by the same accreditors since 2000, the Journal’s analysis shows.

SYSTEMIC RISK

Greenberg’s Limited Win a Blow to Schwarzman’s Dodd-Frank Fight
Ian Katz, Jesse Hamilton, and Sonali Basak, Bloomberg Business, 6/17
“With bailouts facing obstacles, regulators are likely to double down on the logic behind the Dodd-Frank Act: Make it harder for companies to take risks, and be ready to take them down if they make fatal mistakes...That’s bad news for
financial-industry executives who’ve tried with mixed success over the past five years to roll back regulations that they say are making markets less liquid and hurting economic stability.”

**Dodd-Frank Rules Not Impairing Market Liquidity: Treasury’s Lew**
Victoria Finkle, American Banker, 6/17

**OTHER TOPICS**

**Progressives push Cuomo over regulatory replacement**
Keven Cirilli, The Hill, 6/18

Progressives including Sen. Elizabeth Warren (D-Mass) are pressing New York Gov. Andrew Cuomo (D) to appoint a former top official at the Consumer Financial Protection Bureau (CFPB) to a top Wall Street regulatory post. Fourteen liberal groups — including the Progressive Change Campaign Committee, Democracy For America and Credo — called on Cuomo to name Rohit Chopra as the next New York banking and insurance superintendent to replace Ben Lawsky, who is stepping down to start his own technology-based political consulting firm.

**Senators to unveil reg reform bill**
Tim Devaney & Lydia Wheeler, The Hill, 6/17

The regulatory reform bill from Sens. Rob Portman (R-Ohio) and Mark Warner (D-Va.) would encourage independent federal agencies to minimize the cost of their regulations and improve transparency. Regulators would be encouraged to adopt the least burdensome rules under the Independent Agency Regulatory Analysis Act, expected to be introduced Thursday. The bill is co-sponsored by Sen. Susan Collins (R-Maine).

Their bill would, in effect, require independent agencies to treat costs to industry as more important than benefits to the public. Independent agencies are supposed to protect the American people, not industry’s bottom line.