AFR Americans for Financial Reform

The Financial Services Roundtable Dangerous Policy Agenda

The Financial Services Roundtable (FSR) "2017 Year in Review,"—an outline of their priorities and successes—is a remarkable catalogue of attacks on families' economic security and rights, and on financial stability, in pursuit of still higher returns for the already profitable behemoths of finance. The "year in review" is full of deeply dishonest assertions that the policies they lobby for are good for the public, when they are in fact sought by the big banks, and opposed by groups representing consumers, seniors, veterans and service members, unions and communities.

FSR members include some of the biggest Wall Street banks, asset management, and credit card companies. The group was led from 2012 to 2018 by Tim Pawlenty—a former Majority Leader of the Minnesota House of Representatives and former Governor of Minnesota. FSR recently announced plans to merge with the Clearing House Association, which is owned by the world's largest commercial banks—e.g., Bank of America, Wells Fargo, JPMorgan Chase, Deutsche, Citibank, HSBC, among others.

Here is a look at some of their highlights:

- *FSR helped lead efforts to get Congress to overturn the CFPB's rule restoring consumers rights to take financial companies to court if they break the law. They claim that by doing so they "preserve consumer access to low-cost arbitration" that it would "ensure customers … can receive larger and quicker financial compensation from disputes with companies."*

Contrary to what they claim, the CFPB rule was designed to prohibit banks and lenders that break the law from stripping customers of their right to join together and hold them accountable in class action lawsuits. By blocking consumers from challenging illegal behavior in court, forced arbitrations impose secret proceedings in which the average consumer ends up *paying the bank or lender* $7,725. Moreover, without the option to join together in class actions, only 25 consumers with claims under $1,000 pursue arbitration each year. In contrast, class actions returned $2.2 billion to 34 million consumers from 2008-2012, after deducting attorneys' fees and court costs. Restricting forced arbitration is key for individual consumers to band together and confront giant financial institutions who have cheated them. Companies like Wells Fargo or Equifax should not be above the law and consumers have a right to hold them accountable.

- *FSR advocated for the passage of comprehensive regulatory reform bills in the House and Senate. They claim "it is important to modernize financial regulations for banks of all sizes to ensure they are appropriately calibrated and are not unnecessarily holding* *back lending and impeding economic growth." Specifically, the FSR advocated for, the Financial CHOICE Act, and Rep. Luetkemeyer's regulatory modernization bill in the House—even more radical attacks on financial regulation than Chairman Crapo's bill in the Senate (S.2155), which the FSR also endorsed.*

In reality the CHOICE Act and Rep. Luetkemeyer's bill were radical and far-reaching measures constructed out of the legislative wish lists of the biggest Wall Street banks and the worst predatory lenders as well as debt collectors and other unscrupulous financial actors. The bills the FSR pushed for harm consumers and threaten the stability of our economy in several ways, including by: repealing the Volcker Rule, which bars banks from acting like hedge funds and gambling with taxpayer-guaranteed funds; undermining the authority and funding of the Consumer Financial Protection Bureau, which has returned nearly $12 billion to 29 million people wronged by financial institutions; and by drastically weakening the oversight authority of the Federal Reserve over large banks. The bills backed by FSR also unleash predatory lending and remove mortgage-lending rules that protect homebuyers. The bills pushed by the FSR not only deregulate based on false premises but also impose numerous barriers to regulatory action that would tie the hands of regulatory agencies if they wished to take action to protect consumers and the public interest in the future.

Moreover, claiming that regulations are holding back lending is just not true. Bank credit had been continuously growing since 2010—after the passage of the Dodd-Frank Act. According to a recent FDIC quarterly banking profile, total loans and leases increased 3.5 percent for the twelve months ended September 30, 2017. While lending by community banks, the "usual victims" on FSR-style rhetoric, continued to exceed the industry average, growing at an annual rate of 7.3 percent and posting close to record-high profits.

S. 2155, the deregulatory bill just passed by the Senate, weakens rules on dozens of large banks and undermines consumer protections in numerous ways—including, exposing home buyers to financial exploitation and predatory lending, as well as enabling racial discrimination in mortgage lending. But these changes are still only a small part of the FSR massive deregulatory agenda. If the FSR has their way, S. 2155 will only be the first step in enabling the financial sector to increase its profits in ways that exploit consumers and endanger the economy.

- *FSR claims that by delaying the fiduciary rule they "continued our industry leadership to ensure consumers have access to affordable finance advice that serves their best interests."*

FSR worked to delay the Department of Labor's (DoL) conflict of interest (or "fiduciary) rule for retirement investment advice. Without the fiduciary rule there are huge loopholes in retirement savings protections that make it easy for salesmen who present themselves as "advisers" to put maximizing their own compensation ahead of the best interests of their customers. In the absence of these protections, sellers of financial products can steer customers to investment products that pay benefits to the seller at the expense of the retirement savings of working families. The Department of Labor has demonstrated that ordinary savers lose tens of billions of dollars a year due to these conflicts of interest.

- *FSR led efforts to override a Department of Labor rule to allow government-run and mandated IRA plans at the state and local levels. FSR claims those plans "weaken consumer protections and threaten the retirement security of millions of Americans" and "would have allowed these mandated state and local-run plans to operate outside of the protections afforded by the Employee Retirement Income Security Act (ERISA)."*

FSRs efforts actually stopped the progress of programs that would have made retirement more secure for millions of workers. As explained in a joint letter to Congress signed by over 50 organizations, while the regulation in question includes an exemption from the ERISA standards, "state-sponsored programs do not get rid of [those] responsibilities, but rather shift them to the programs themselves. The regulations therefore preserve accountability and ensure consumer safety, while alleviating the burdens that keep small businesses from offering retirement benefits." Actually, FSR applauded the repeal of regulations making it easier for state and local governments to extended retirement savings programs to some of the 55 million workers without employer-sponsored retirement plans. Until the repeal of the rule got in the way, five states (California, Oregon, Illinois, Connecticut, and Maryland) were in the process of establishing programs that would have extended retirement security to 13 million workers, mostly low- and middle-income earners and minorities–only three of those states (California, Oregon, and Illinois) have moved forward with their programs.

- *FSR claims to have supported "strong federal data protection and consumer breach notification legislation to help ensure consumers' important personal and payment information is not vulnerable to cyber hackers."*

Their misleading "push" for Federal intervention on this issue is actually about "enacting a preemptive federal breach notification law … [with] language that not only preempts state breach notification laws but also prevent states from enacting any future data security or privacy laws," as noted by Ed Mierzwinski, U.S. PIRG Consumer Program Director. FSR's letter calls for federal regulation that seems to ignore any non-financial harms that consumers could suffer as a result of a data breach or that would not "expand the range of information protected by the law as technology develops." Breaches cause much more than the "identity theft and financial harm" for which FSR want to provide notice. For example, it can cause emotional stress, reputational damage, and even physical harm as the personal information of domestic violence victims could be used to track them down. Enforcement of the desired regulatory framework in their letter would exempt companies complying with the Gramm-Leach-Bliley Act (GLBA), even when these companies are *not* required to notify breach victims ever. The GLBA exemption includes all banks and many broadly defined financial firms—*including Equifax.*

- *FSR supported the passage and enactment of the Tax Cuts and Jobs Act, claiming the tax overhaul will "drive more jobs and increase paychecks for hardworking Americans."*

This bill only further rigs the tax code in favor of profitable Wall Street banks and the wealthiest 1 percent. The so-called "increase in paychecks" in reality has translated into a one-time bonus while the firms benefit from permanent lower taxes going forward. Companies like AT&T, Comcast, and Walmart are quietly laying-off hundreds of employees while others are gearing up to buy back their own shares to pump up their value. In fact, the FSR pushed the tax bill because of its huge tax benefits to Wall Street and Wall Street executives and its massive gifts to households in the top one percent of the income distribution—who stand to accrue an amazing 83 percent of the total tax cut benefits by 2027. Instead of promoting policies that would directly benefit workers—e.g. a higher minimum wage, strengthening labor standards and worker's bargaining power—FSR's President favors a "trickledown" approach to wage growth, ignoring that the almost forty-year-long trend of wage stagnation for middle- and low-wage workers refutes such approach.

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FSR's 2017 yearly review lays out 'progress' on the wish list of some of the worst actors in the financial system, many of which are directly responsible for the last financial crisis and economic recession and have a history of cheating their own employees and defrauding consumers—e.g., JPMorgan, Bank of America, Citi, Wells Fargo, Santander, First Republic. Their 2017 highlights are a direct attack on consumer protections and the financial stability of our country.