This Week in Wall Street Reform | Oct 13 - 19

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CONSUMER FINANCE AND THE CFPB

Settling for Nothing: How Kraninger's CFPB Leaves Consumers High and Dry | House Financial Services

In November 2017, political appointees of President Donald Trump assumed control of the Consumer Financial Protection Bureau (Consumer Bureau), the federal government's watchdog dedicated solely to protecting American consumers from unfair, deceptive and abusive practices. Trump-appointed officials have since undermined the Consumer Bureau, including by weakening the Bureau's previously robust policing of anti consumer misconduct in the financial sector. As a result, Consumer Bureau leadership has denied consumers millions of dollars in relief, even in cases where returning cash to harmed consumers was an available and appropriate remedy.

Under Trump-appointed leadership, the Consumer Bureau's enforcement actions have declined in volume and failed to compensate harmed consumers adequately. For example, during Director Kathleen Kraninger's first six-months (December 11, 2018 to June 11, 2019), the Consumer Bureau obtained only $12 million in consumer relief,3 a mere 6% of the $200 million reported by the Obama-appointed Director, Richard Cordray, during the six months from October 1, 2016 to March 31, 2017.

HFSC "Who is Standing Up For Consumers" Twitter Thread | AFR

And we're off! @RepMaloney gets to the point, calling @CFPBDirector "worthless" for showing zero interest in protecting consumers as head of the CFPB #ProtectConsumers

Chair @RepMaxineWaters: 3 of the first 5 settlements that Kraninger authorized failed to provide ANY money back to consumers.

She asks Kraninger why she overrule her career staff, and *rejected* the $1.6 million in relief to consumers that @enova offered
#ProtectConsumers

Dems unload on CFPB's Kraninger: 'You are absolutely worthless' | American Banker

Consumer Financial Protection Bureau Director Kathy Kraninger faced a barrage of questions Wednesday from lawmakers on the House Financial Services Committee covering everything from the agency's constitutionality to why it has not demanded refunds for consumers in recent settlements.

The Democrats came to the hearing with proverbial guns blazing, issuing a 333-page report that accused the CFPB under Kraninger of leaving "consumers high and dry" because of its failure to require remediation in several recent settlements.

News Release: Top Questions CFPB Director Kathy Kraninger Must Answer | AFR

Over the course of two days, the director of the Consumer Financial Protection Bureau, Kathy Kraninger, is testifying before both the House Financial Services and Senate Banking Committees.

"Director Kraninger has spent the last year turning her back on consumers while doing the bidding of payday lenders, debt collectors and other players in finance," says Linda Jun, senior policy counsel for Americans for Financial Reform. "Under her leadership, the bureau has repeatedly used its authority to undermine critical consumer protections, and enforcement actions by this bureau have dramatically decreased. This current CFPB has demonstrated little interest in standing up for consumers."

Supreme Court to Consider Structure of Consumer Finance Watchdog | Wall Street Journal

The Supreme Court will review whether the leadership structure of the Consumer Financial Protection Bureau is constitutional, a case that could give the president more power over independent government agencies.
Congress created the CFPB as part of the 2010 Dodd-Frank financial law after the 2007-08 financial crisis, giving it power over the markets for consumer-finance products. The bureau was championed by Massachusetts Sen. Elizabeth Warren (D., Mass.), now a Democratic presidential candidate.

Supreme Court will hear challenge to Consumer Financial Protection Bureau | CNBC
The Supreme Court on Friday announced that it will hear a case challenging the constitutionality of the Consumer Financial Protection Bureau, a regulatory agency established in the wake of the 2008 financial crisis.

The case was brought by Seila Law, a California-based law firm, which alleges that the structure of the agency grants too much power to its director, in violation of the Constitution's separation of powers.

News Release: Joint Statement from AFR & U.S. PIRG – Supreme Court agrees to hear case about limits of executive power | AFR

The U.S. Supreme Court has agreed to decide whether the Constitution allows the president to fire the director of the Consumer Financial Protection Bureau (CFPB) only for cause. The court's decision to hear the case comes more than a year after President Donald Trump installed Office of Management and Budget director Mick Mulvaney (currently also acting chief of staff) as the acting director of the CFPB, then nominated Kathy Kraninger, a person with limited consumer protection experience, to replace Mulvaney. Kraninger was confirmed in December 2018.

In response to the Supreme Court's decision to hear the case, Lisa Donner from Americans for Financial Reform and Ed Mierzwinski of U.S. PIRG released the following statements: "The CFPB was created as a strong, independent agency with a director who could only be removed for cause so the Bureau could counter the entrenched political power of the financial industry. Seila Law, a debt collection law firm, just like the payday lenders and others on Wall Street, wants that independence undermined to make it easier for them to take advantage of consumers without facing consequences. The court should not side with the financial industry over the public interest." said Lisa Donner, Executive Director of Americans for Financial Reform.

Supreme Court will hear challenge to autonomy of consumer agency spearheaded by Elizabeth Warren | LA Times
The Supreme Court said Friday it will hear a constitutional challenge to the semi-independent status of the Consumer Financial Protection Bureau, a government agency created by Congress in the wake of the Great Recession to police mortgage providers, credit card issuers and other consumer lenders.

At issue is whether the bureau's director has too much protection from being fired by the president. Under the law, the director can be fired by the president only for cause. It was designed that way by then-professor Elizabeth Warren, now a U.S. senator from

Massachusetts and a leading Democratic presidential contender, to protect the agency from outside political pressure.

Consumer advocates urged the court to uphold the agency and its semi-independent status. “The CFPB was created as a strong, independent agency with a director who could only be removed for cause so the bureau could counter the entrenched political power of the financial industry,” said Lisa Donner, executive director of Americans for Financial Reform, a coalition of advocacy groups.

Senators Press CFPB To Dig Into Problems With Public Service Student Loan Program | NPR

Four U.S. senators told the head of the nation's top consumer protection agency Thursday that they want her to launch examinations into serious problems with a program designed to offer loan forgiveness to public service workers.
An NPR story this week revealed that the Consumer Financial Protection Bureau attempted such examinations but was thwarted by the Trump administration's Department of Education.

At issue is the Public Service Loan Forgiveness Program, which aims to help police, military service members, teachers, people who work at nonprofits and others. If they make qualifying payments for 10 years, the program promises to forgive the remainder of their student loan debt.

Struggling Americans are haunted by zombie debt. Will you be next? | Guardian

This is what happens when the government targets you for zombie debt collection.

You receive a letter from your state’s department of human services claiming that you were “overissued” $4,132 in food stamp and cash benefits in the 1980s. Enclosed is a copy of the original overpayment notice they say they sent you when you were still listening to Madonna and Bobby Brown. You don’t remember ever seeing it before.

The letter informs you that, since you didn’t respond immediately three decades ago, your 90-day window to request a fair hearing and contest the overpayment has closed. You now have a debt, and it’s past due.

New CFPB database of expensive prepaid cards is missing key information, advocates say | Market Watch

The Consumer Financial Protection Bureau has launched a new database revealing the terms and conditions on prepaid cards and payroll cards that can sometimes hit users with high fees.

But people wouldn't know that from the federal watchdog agency, consumer advocates say. The National Consumer Law Center says it's puzzled as to why the CFPB hasn't publicized the database, which contains information about overdraft fees, withdrawal limits and spending limits on the cards. The National Consumer Law Center is a nonprofit that advocates for consumers' rights on issues ranging from bankruptcy to debt collection.

CFPB Quietly Launches Web Database of Prepaid and Payroll Card Fees and Disclosures but Some Cards with Overdraft Fees are Missing | NCLC

Advocates at the National Consumer Law Center urged the public to check out a new online tool from the Consumer Financial Protection Bureau (CFPB) where consumers, workers, researchers, employers, and others can see prepaid and payroll card fee schedules and agreements, creating greater transparency into prepaid and payroll card. But some payday lender prepaid cards have apparently not been submitted to the database. Advocates also questioned why the CFPB did not publicize the new website or make it more user friendly.

"The prepaid agreements database will provide a one-stop place for the fees and other account terms for prepaid agreements," said National Consumer Law Center Associate Director Lauren Saunders. "Together with the new fee disclosure rules that went into effect earlier this year, this online tool will shine sunlight onto the sometimes opaque world of prepaid card fees and encourage competition that may help lower prices for consumers and workers."

Wells Fargo sets aside $1.6 billion for new fake account payout | Housing Wire

Over the last few years, Wells Fargo has paid out nearly $2 billion in fines and settlements covering a myriad number of issues, most notably opening millions of fake accounts in customers' names. That issue led to hundreds of millions of dollars in payouts to regulators, affected customers, and shareholders over the affair.

But it looks like Wells Fargo isn't done paying its penance for the fake account scandal quite yet.
Wells Fargo revealed Tuesday that it set aside another $1.6 billion during the third quarter as a "discrete litigation accrual for previously disclosed retail sales practices matters."

Rules juggle protection of payday loan borrowers and lending market | Financial Times

What would help overstretched borrowers more — a cap on the total cost of their loans, or lending rules that would stop them from borrowing so much in the first place? What can regulators do to protect customers from crippling debt, without creating a situation where regulated lenders withdraw from the market and desperate borrowers are driven into the arms of black market lenders?

These are the questions vexing regulators on both sides of the Atlantic, and in other jurisdictions too. The good news — for the borrowing masses at least — is that some action is being taken.

PRIVATE FUNDS

Elizabeth Warren takes on Wall Street's role in our surging medical bills | Washington Post

When we think about private equity, we often think about companies like Toys R Us: purchased with borrowed money, loaded up with debt that ultimately all but destroys the firm. The investors make out, the employees and consumers lose out. But there's another model too: Buy into a business where you can suck money out of consumers.

That describes the health-care business. And Sen. Elizabeth Warren (D-Mass.) has something to say about that.

Elizabeth Warren Wants PE Firms to Come Clean on Surprise Medical Billing | Bloomberg

In her latest attack against private equity firms, Senator Elizabeth Warren called on industry leaders to disclose whether companies they own engage in surprise medical billing.

The Massachusetts Democrat, who is seeking her party's presidential nomination, joined two House colleagues in sending letters to five firms seeking details on their investments in medical transport and doctor staffing firms accused of charging patients exorbitant prices for out-of-network emergency care.

Just like the "Money Trust" before it, Wall Street is a threat to democracy | TOWS

These two words had a powerful resonance in the early decades of the 20th century as a label for the tiny number of rich Americans who used their dominance of finance to seize control of vast swaths of industry like railroads, metals, petroleum, to name but a few. Today, their names – the Morgans, the Mellons – can possess a certain ageless, almost noble echo thanks to the passage of time and decades of strategic philanthropy.

But back then, their critics, and they were numerous, verily spit out their names in disgust. The address of J. Pierpont Morgan's bank, on New York's famous road of finance, loomed large enough in the public mind that no less than Franklin Delano Roosevelt could promise in 1933 that his cabinet would include "no one in it who knows the way to 23 Wall Street." FDR's New Dealers and their heirs knew full well who their antagonists were, and unlike many politicians today, felt no obligation to praise their savvy, intelligence, or far-sightedness.

"It's, Like, Lawless": How Private-Equity Headhunters Are Bleeding Wall Street | Vanity Fair

Once upon a time on Wall Street, the best and the brightest wanted to be M&A bankers, like Felix Rohatyn or Bruce Wasserstein. They wanted to advise IBM on its acquisition of Lotus, or GE on its purchase of RCA. If you could do that work at Goldman Sachs, at Morgan Stanley, or at Lazard (where I once worked), then there was nothing better in terms of pay, prestige, and bragging rights. You were, definitionally, a Master of the Universe.

Well, those days are over. And it's not only because, according to the Financial Times, M&A deal volume for the first nine months of 2019 is down to its slowest pace in more than two years. Rather, for recent college graduates interested in finance, the place to be these days—assuming you are not an entrepreneur or tech-oriented—is private equity, firms that buy and sell other companies using mostly other peoples' billions. That's where real money can be made. In this new, increasingly unregulated America, where the disparity between rich and poor is reaching epidemic proportions, where Donald Trump could hypothetically shoot someone on Fifth Avenue and get away with it, people like Stephen Schwarzman, the cofounder of the Blackstone Group (net worth nearly $17 billion and counting); Leon Black,the cofounder of Apollo Global Management (net worth roughly $7.5 billion); and Henry Kravis, cofounder of KKR (net worth $6 billion) are the superstars and the ones to emulate. Investment bankers, worth mere millions, are pikers by comparison.

AT&T Union Says Elliott's Proposals Could Affect 30,000 Jobs | Bloomberg

If activist shareholder Elliott Management Corp. has its way, more than 30,000 AT&T Inc. workers could lose their jobs or face reductions in wages, according to a new estimate from the Communications Workers of America union.

Most of the impact on workers would come from divestitures of DirecTV and AT&T's landline business and closures of the company's retail locations, if the company follows Elliott's suggestions, said the CWA, which represents more than 100,000 AT&T employees.

MORTGAGES AND HOUSING

News Release: Disparate Impact Rollback Proposal Will Enable Discrimination | AFR

Today, Americans for Financial Reform Education Fund submitted a comment to the Department of Housing and Urban Development (HUD) in opposition to its proposed rule on disparate impact.

Disparate impact is a legal theory that allows people to challenge policies that have a discriminatory effect, without having to establish intent. It is a critical, longstanding tool in fighting discrimination and advancing equal access to housing. HUD's proposal would drastically raise the threshold for victims to bring a disparate impact claim and create more loopholes for defendants to escape liability.

See as well comments from the National Fair Housing Alliance and the Leadership Conference on Civil and Human Rights.

Letter to Regulators: Coalition letter to CFPB on mortgage data disclosure (HMDA) | AFR

The undersigned 27 community, civil rights, housing, and consumer advocacy organizations urge the Consumer Financial Protection Bureau (CFPB) to maintain the Home Mortgage Disclosure Act (HMDA) data elements that the CFPB added and enhanced pursuant to statutory directives and discretionary authority under the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank). The CFPB does not have the authority to eliminate data elements that are required by statute, and it should not eliminate the additional data that Dodd-Frank authorized the Bureau to collect to further the statutory goals of identifying predatory lending practices and monitoring how financial institutions are serving communities. The CFPB added these factors only after a robust and deliberative process involving all stakeholders, and the additional data elements significantly further the agency's mission to ensure that "consumers are protected from unfair, deceptive, or abusive acts and practices and from discrimination.

Comments from National Consumer Law Center.

Exclusive: Senate Democrats call on FHFA to undo changes to new Uniform Residential Loan Application | Housing Wire

A group of nearly 20 top Senate Democrats, including five who are currently running for president, want the Federal Housing Finance Agency to undo a set of recently proposed changes to the new Uniform Residential Loan Application, claiming the changes could reduce access to credit for mortgage borrowers who are already underserved.

Back in August, the FHFA directed Fannie Mae and Freddie Mac to make changes to the new URLA form and delayed the mandatory use of that form from Feb. 1, 2020, to an unspecified date in the future.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

News Release: The Students Not Profits Act will protect public dollars from abuses at for-profit colleges | AFR

Americans for Financial Reform welcomes the introduction of The Students Not Profits Act, let by Representative Pramila Jayapal, and Senator Sherrod Brown. The for-profit college industry is plagued with bad outcomes for students, has a record of law breaking and abuse, and is responsible for 34% of student loan defaults, despite only enrolling 9% of post-secondary students. Despite this, these institutions depend overwhelmingly on public dollars, and receive billions of federal dollars each year (In 2017, $14.9 billion in federal grants and loans and about $1.7 billion in GI bill money), with top executives in the sector getting millions from these public funds. For far too long, the industry has aggressively and effectively lobbied Congress to roll back accountability and oversight, even as they've scammed their own students and exploited federal dollars. The Students Not Profits Act is a welcome and bold step to ensure that public dollars are not supporting and enabling malfeasance.

[Bill in Congress Would End Taxpayer Aid to For-Profit Colleges. Good](#) | Republic Report

Today Representative Pramila Jayapal (D-WA) and Senator Sherrod Brown (D-OH) introduced a bill that would bar the Department of Education from sending federal student grants and loans to for-profit colleges.

I support this legislation, at the very least for its value as a wake up call to a bad-behaving industry and its paid cheerleaders in Washington.

There are powerful reasons for even some advocates for students to oppose the Jayapal-Brown bill. I'll present those reasons from worst to best.

[Exclusive: Turf War Blocked CFPB From Helping Fix Student Loan Forgiveness Program](#) | NPR

Starting early last year, the nation's most powerful consumer protection agency sent examiners into companies that run student loan call centers to try to fix a troubled loan forgiveness program. But the Department of Education blocked the bureau from getting the information it needed, NPR has learned.

The Public Service Loan Forgiveness Program is designed to help firefighters, military service members, nonprofit workers and others. But thousands of people say they were treated unfairly and rejected.

SYSTEMIC RISK

[Global economy faces $19tn corporate debt timebomb, warns IMF](#) | Guardian

Low interest rates are encouraging companies to take on a level of debt that risks becoming a $19tn (£15tn) timebomb in the event of another global recession, the International Monetary Fund has said.

In its half-yearly update on the state of the world's financial markets, the IMF said that almost 40% of the corporate debt in eight leading countries – the US, China, Japan, Germany, Britain, France, Italy and Spain – would be impossible to service if there was a downturn half as serious as that of a decade ago.

Global Financial Stability Report: Lower for Longer | IMF

The Government Accountability Office Is Right To Assess Regulators' Monitoring Of Leveraged Lending | Forbes

The Government Accountability Office (GAO), the U.S. legislative agency that monitors and audits government spending and operations, is conducting an assessment of how financial regulators monitor and oversee risks to banking institutions and financial stability from leveraged lending. Importantly, the GAO is trying to determine what actions the Financial Stability Oversight Council (FSOC), the Office of Financial Research (OFR), the Federal Reserve, and the Office of the Comptroller of the Currency (OCC) have taken to identify and mitigate potential risks to financial stability posed by leveraged lending.

FSOC is the key regulator that can require that banks and nonbank financial institutions be more transparent about their leveraged lending activities. Unfortunately, the Trump administration has gutted the Office of Financial Research, within FSOC, which is responsible for collecting and analyzing data to determine what poses systemic risks to the U.S. financial system.

Bank Regulators Present a Dire Warning of Financial Risks From Climate Change | New York Times

Home values could fall significantly.
Banks could stop lending to flood-prone communities.
Towns could lose the tax money they need to build sea walls and other protections.

These are a few of the warnings published on Thursday by the Federal Reserve Bank of San Francisco regarding the financial risks of climate change. The collection of 18 papers by outside experts amounts to one of the most specific and dire accountings of the dangers posed to businesses and communities in the United States — a threat so significant that the nation's central bank seems increasingly compelled to address it.

ELECTIONS, MONEY, AND POLITICS

Elizabeth Warren Seen as Nominee by 70% of Investors, Bank Survey Says | Bloomberg

An Evercore ISI survey on Tuesday -- more than three months before the Iowa caucuses in February -- found 70% of investors believe Senator Elizabeth Warren will win the Democratic party's nomination for president.

Other campaigns will have a "job to do" in slowing the senator's momentum, starting with Tuesday night's debate, analyst Sarah Bianchi wrote in a note. Warren will likely "come under scrutiny for her position on Medicare for All," along with the costs associated with expensive policies that opponents will argue are more suited to Harvard than to "real world problems," Bianchi added.

The next Elizabeth Warren? How Katie Porter is shaking up House banking panel | American Banker

Rep. Katie Porter is less recognizable nationally than other progressive Democrats elected to the House in 2018. But among watchers of the Financial Services Committee, she has become perhaps the fiercest disruptor in Congress since Elizabeth Warren.

The California Democrat has quickly found the spotlight in her first year on the panel, winning admirers who see her as a champion for the consumer as well as critics who view her more as a troublemaker.

Elizabeth Warren is Making Private Equity Investors Nervous | Institutional Investor

With the next U.S. presidential election just a year away, institutional investors are growing worried about how the result will impact their portfolios — specifically, their private equity allocations.

Sixty-nine percent of limited partners surveyed by placement agent and advisory firm Eaton Partners said they were concerned about "anti-private equity rhetoric" by some presidential candidates. The private equity industry has faced criticism from leading democratic hopefuls, including Senator Elizabeth Warren, who recently introduced the "Stop Wall Street Looting Act" to broadly regulate private equity.