This Week in Wall Street Reform |

September 1 - 7

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Employers including Walmart Inc. WMT -0.04% and Pima County, Ariz., have recently added these services. The aim is to help cash-strapped employees, many with damaged credit, cover unexpected expenses without resorting to high-cost debt.

Column: You've been told never to click suspicious links. The CFPB wants you to ignore that advice | LA Times

You may already have heard that the Consumer Financial Protection Bureau wants to allow debt collectors to contact you as much as they want by text or email.
A growing number of companies are helping workers gain access to payroll advances and loans, reflecting concern over the impact money problems are having on productivity levels and worker retention.

Employers including Walmart Inc. WMT +0.50% and Pima County, Ariz., have recently added these services. The aim is to help cash-strapped employees, many with damaged credit, cover unexpected expenses without resorting to high-cost debt.

What you may not know is that the bureau's proposal also includes a provision that would change how debt collectors inform you of your rights, allowing them to send a link to a web page rather than mail you a full rundown of safeguards.

A federal appeals court recently ruled that this isn't good enough — that sending links via text or email wouldn't comply with the disclosure requirements of the Fair Debt Collection Practices Act, which prohibits collectors from harassing or tricking consumers.

Let's put some perspective around the small-dollar loan debate | American Banker

As the debate continues over how to appropriately regulate small-dollar loans, some commenters have asserted the implausible theory that the small-dollar loan rule is necessary to prevent another meltdown of the nation's financial system. Looking back, it is absurd to argue that loans averaging $350 had anything to do with the financial crisis.

Yet the level of hyperbolic pitch being injected into the most recent debate obscures the reality that unrestrained, heavy-handed regulation of financial products creates barriers to credit availability for consumers. This result is completely inconsistent with the Dodd-Frank Act of 2010 that directed the Consumer Financial Protection Bureau to ensure the availability of credit in underserved communities.

Some Companies Offer a New Benefit: Payroll Advances and Loans | Wall Street Journal

A growing number of companies are helping workers gain access to payroll advances and loans, reflecting concern over the impact money problems are having on productivity levels and worker retention.

Employers including Walmart Inc. WMT +0.23% and Pima County, Ariz., have recently added these services. The aim is to help cash-strapped employees, many with damaged credit, cover unexpected expenses without resorting to high-cost debt.

“Employers have woken up to the fact that a majority of workers are having a lot of trouble simply getting by, never mind getting ahead,” said Sophie Raseman, head of financial solutions at Brightside, a company Comcast Corp. co-founded that provides financial guidance to workers and is testing payroll loans with some corporate clients.

Why the August Jobs Report is Huge | Politico Morning Money

“Americans for Financial Reform has launched the Payday Loan Debt Trap Tracker, which tallies up the money American consumers will lose as a result of Kathy Kraninger's decision to gut consumer protections on payday and car-title loans.”

INVESTOR PROTECTION, SEC, CAPITAL MARKETS

Fed Close to Marrying Bank Stress Tests to Daily Capital Demands | Bloomberg

The Federal Reserve’s regulatory chief said the agency is close to finalizing a “stress capital buffer” that could ease some of Wall Street’s biggest gripes about annual stress tests while boosting overall capital demands at the largest banks.

The new measure will meld stress-test targets with day-to-day capital minimums, Randal Quarles, the Fed’s vice chairman for supervision, said Thursday in remarks prepared for a European Central Bank event in Frankfurt. The Fed may also propose re-hashing another buffer meant to amp up capital when risk of a downturn is highest, Quarles said.

How an Agency You've Never Heard of Is Leaving the Economy at Risk | Project on Government Oversight

A federal watchdog you’ve probably never heard of is supposed to be protecting your financial security. But in key respects it’s been doing a feeble job. It’s supposed to help avert man-made disasters like the financial crisis and mortgage-meltdown of a decade ago; the accounting scandals that destroyed a long list of corporations such as Enron and WorldCom almost two decades ago; and the savings and loan crisis that consumed mountains of taxpayer money in the 1980s and ‘90s—the kind of catastrophes that can cripple your community, crater the economy, or collapse the financial system.

PRIVATE FUNDS

Private Equity Managers Are ‘Running a Grift,’ Pennsylvania Treasury Says | Institutional Investor

Pennsylvania’s Treasury department took a jab at private equity over the weekend.

The office, which oversees investments for more than $100 billion in public funds including two large pensions, used its recently created Twitter account to suggest people are just catching on to swindling in the buyout industry.

The viewpoint emerged in reference to a clip of actor Jeff Goldblum playfully responding to a Variety interviewer's question about a possible divorce between Spider-Man and Walt Disney Co.'s Marvel Cinematic Universe. "No! This is the first I've heard of it," Goldblum had quipped in animated shock. "I'm crestfallen."

Why 47,000 grocery workers in California may go on strike | CNN Business

Some 47,000 supermarket workers at Ralphs, Albertsons and other grocery chains in southern California are closer to starting the largest private-sector strike since 74,000 General Motors employees walked off the job in 2007.

Here's what's happening in California: Union officials representing cashiers, stockers and clerks at Ralphs — owned by Kroger (KR)— and employees at Albertsons and its Vons and Pavilion chains have been negotiating new three-year contracts with the companies since their contracts expired in March.

California workers at more than 500 stores are demanding higher pay and a contract that protects their retirement and health benefits.

MORTGAGES AND HOUSING

Trump Administration Unveils Plan to Revamp the Housing Market | Washington Post

The Trump administration released a sweeping plan Thursday that could remake the U.S. housing market, starting with ending more than a decade of government control of two massive companies, Fannie Mae and Freddie Mac, that back half of the nation's mortgages.

The long-awaited plan from the Treasury Department features nearly 50 proposals, including many technical changes to financial regulations, and is aimed at shrinking the government's role in the housing market. The cornerstone of the plan would resolve the fates of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, which 11 years ago this week were put into government conservatorship during the global financial crisis.

To Stop Displacement, Disclose the Data | Urban Omnibus

In New York City neighborhoods where low-income residents face uncertain futures, real estate speculation has become, among other things, a form of information asymmetry. Bankers and investors with access to the means of collecting, analyzing, and acting on proprietary financial data are perpetually one or two (or three) steps ahead of the New Yorkers most likely to be impacted negatively by sudden influxes of new neighborhood investment. And where the profit motive meets a living legacy of housing discrimination, residents at risk of displacement face not only daunting struggles to stay put, but also an often inscrutable mix of law, policy, planning, and finance which obscures the very forces they are up against.

A lack of publicly available information is one of the fundamental imbalances of power in our housing system. But data has also provided, in many instances, the key to tipping this scale. Starting in the 1960s in Chicago, landmark data-gathering efforts aimed at exposing racist real estate practices — byproducts of the now infamous lending policies and practices known as "redlining" — established the foundations for a national movement to disclose mortgage information. These movements, in turn, provided the bedrock for federal legislation aimed at protecting the rights of communities to both access lending data, and to hold lending institutions accountable to community priorities.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Student Debt Is Transforming the American Family| New Yorker

In April, 2011, the anthropologist Caitlin Zaloom was sitting in her office at New York University when one of her most promising students appeared at her door, crying. Kimberly had dreamed of life in New York City since she was eight years old. Growing up in a middle-class family just outside Philadelphia, she was regaled with stories about her mother's short, glamorous-sounding stint waitressing in Times Square. Kimberly's version of the big-city fantasy was also shaped by reruns of "Felicity," a late-nineties drama set at a lightly fictionalized version of N.Y.U. Her dream school did not disappoint. Kimberly was an intrepid, committed student, studying the effects of globalization on urban space; she worked with street venders and saw their struggles to make ends meet. College opened up a new world to her. But her family had sacrificed to help finance her education, and she had taken out considerable loans. She had looked forward to putting her degree to good use, while chipping away at the debt behind it. But the job she was offered involved outsourcing labor to foreign contractors—exacerbating the inequalities she hoped a future career might help rectify.

Growing Price Tag for College Shutdowns | Inside Higher Ed

A string of recent for-profit college closures has led to tens of millions of dollars in student loan cancellation, creating new costs for the federal government on top of disruptions caused for thousands of former students.

According to numbers recently provided by the U.S. Department of Education to Senate lawmakers, the federal government as of May had discharged more than $43 million in student loans for borrowers who attended programs operated by Education Corporation of America, Dream Center Education Holdings, Vatterott College and Charlotte School of Law.

[Borrower Defense Rule by DeVos a Slap in Face for Military-Connected Students](#) | Veteran News Report

On Friday afternoon before the holiday weekend, the U.S. Education Department announced its final regulatory language on borrower defense rules that will make it more difficult for defrauded students to discharge student loans and will adversely impact non-traditional students, like military-connected students, from seeking relief.

“What I said in 2018 about the DeVos proposed Borrower Defense rule still encapsulates the impact of the 2019 final rule,” said Walter Ochinko, the VES Research Director who served as a Borrower Defense negotiator in 2016 and 2018: “On issue after issue, the final 2019 rule takes the side of predatory schools, eviscerating the protections that the previous administration accorded to defrauded students.”

[Ed Dept's final borrower defense rule raises bar for claims](#) | Education Dive
"The things they walked back were the things they proposed as huge outliers that were inconsistent with current practice and inconsistent with how people see these policies," said Clare McCann, deputy director for federal higher education policy at New America, in an interview with Education Dive.

The new rules will replace student loan borrower protections the Obama administration finalized in 2016 following the closure of several for-profit colleges due to a regulatory crackdown on the sector. The fallout has left tens of thousands of students with debt and no degree or one that has little value in the market.

[New Department of Education Rule Impacts Defrauded Students](#) | Diverse: Issues in Higher Education
The U.S. Department of Education has released its new Borrower Defense to Repayment rule, designed to give students debt relief in cases where they took out loans to pay for fraudulent schools. The new version, which goes into effect on July 1, 2020, makes it harder for federal student loan borrowers to have their debts forgiven, enforcing stricter criteria.

The updated regulations come more than a year after the Department of Education changed the 2016 Obama-era rule. In late 2017 and early 2018, the department entered into a negotiated rulemaking process – a meeting of federal agencies and constituents – to hash out a new draft.

[FTC Exposes Egregious Deceptions by, Then Slaps Wrist of, For-Profit College Where DeVos Aides Worked](#) | Republic Report
We reported last month on the for-profit college operation Career Education Corporation’s (CEC) announcement it had reached a settlement with Federal Trade Commission staff of an

investigation into deceptive practices by the company. Now the FTC has announced that it has approved that settlement. Although the commission staff deserves credit for going after bad actor CEC, in the end it's a weak agreement: a promise not to do it again, plus a $30 million fine, which equals a tiny percentage of the billions of dollars — as much as $1.9 billion in a single year — that Illinois-based CEC, operator of American InterContinental University, Colorado Technical University, and other schools, has been receiving from federal taxpayers over decades.

The settlement seems even weaker when you look at the evidence of CEC's deceptive practices gathered in the complaint that the FTC filed last week in federal court in Chicago.

Judge Says He Needs More Time to Decide CollegeAmerica Fraud Case | Republic Report

A Colorado state judge says he needs more time to rule in a fraud case that Colorado's attorney general took to trial in late 2017 against the CollegeAmerica chain of career colleges.

The case was brought by then-Colorado attorney general Cynthia Coffman, a Republican. CollegeAmerica called as its expert witness, to present evidence supporting the school's defense that it did not engage in fraud, Diane Auer Jones, who is now Betsy DeVos's top higher education aide at the Trump education department. (Jones's testimony was dubious, at best.) (Colorado's expert witness was Rohit Chopra, now a Democrat-appointed member of the Federal Trade Commission.)

SYSTEMIC RISK

How U.S. Banks Took Over the World | Wall Street Journal
When two of Europe's corporate titans sat down to negotiate a merger this year, they called American banks.

Fiat Chrysler Automobiles hired Goldman Sachs Group Inc. GS +2.77% as its lead adviser. France's Renault SA hired a boutique bank stacked with Goldman alumni. In a deal that would reshape Europe's auto industry, the continental banks that had sustained Fiat and Renault for more than a century were muscled aside by a pair of Wall Street deal makers.

A decade after fueling a crisis that nearly brought down the global financial system, America's banks are ruling it. They earned 62% of global investment-banking fees last year, up from 53% in 2011, according to Coalition, an industry data provider. Last year, U.S. banks took home $7 of every $10 in merger fees, $6 of every $10 in stock commissions, and $6 of every $10 paid to hold and move corporate cash

Credit Unions Go On Bank Buying Spree | Wall Street Journal

WASHINGTON—Credit unions are buying small banks in record numbers, a trend that is prompting pushback from the banking industry.

Credit unions have acquired 21 U.S. banks since 2018, according to S&P Global Market Intelligence, compared with 12 purchases in the prior five years.
Bankers say the deals are proof credit unions are growing too aggressively given their not-for-profit business model. Credit unions say they are driven by the same market forces that have driven hundreds of bank mergers in recent years.

“We see opportunities to expand our network, bring in new products to the table, and get a good return on investment,” said Brian Wolfburg, the president and chief executive of VyStar Credit Union in Florida, which closed its first bank acquisition in August.