AFR Americans for Financial Reform

This Week in Wall Street Reform | April 14 – 20

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THE TRUMP ADMINISTRATION, CONGRESS AND WALL STREET

Senate Votes to Ease Restrictions on Auto Lending Discrimination | NY Times
"By voting to roll back the CFPB's work, senators have emboldened banks and finance companies to engage in racial discrimination by charging millions of people of color more for a car loan than is justified," said Rion Dennis of **Americans for Financial Reform**, an advocacy group. "Lawmakers have also opened the door to challenging longstanding agency actions that are crucial to protecting workers, consumers, civil rights, the environment and the economy."

Senate vote on auto loans may pave the way for more discrimination | MarketWatch
A January report from the National Fair Housing Alliance, a Washington, D.C.-based nonprofit that advocates against housing discrimination, found that even when nonwhite consumers had higher credit scores and higher incomes, white consumers were often offered lower interest rates for auto loans. White consumers were also often given a greater variety of financing options than nonwhite consumers.

A spokesman for the National Automobile Dealers Association, a trade group, said it was "irresponsible" to draw conclusions from that study, because it had a small sample size of just 16 participants. But this is one of many studies in recent years that have highlighted discrimination in auto sales.

Congress: Don't enable discrimination in auto lending | The Hill (Stuart Rossman)
For more than two decades, there has been clear evidence that discretionary dealer mark-ups result in African-Americans and Latinos paying extra -- that is, paying interest and fees higher than are justified by the evidence of their creditworthiness, and higher than the price charged to similarly situated white borrowers… We at the National Consumer Law Center proved this conclusion in courts of law using data from millions of loans.

4 trade associations cheer Senate vote to repeal CFPB auto finance bulletin | Subprime Auto Finance News
"I worked in auto lending for almost six years," [former Santander employee Jerry] Robinson said… "Most of my customers desperately needed a car to drive to work and support their family, and Santander Consumer was all too willing to capitalize on that desperation — with tricks like impossibly high interest rates and discriminatory loans.

"The Senate's actions today were a big win for injustice and inequality — and they endanger working communities across the United States," Robinson added.

Does Senate's repeal of CFPB policy put all guidance in crosshairs? | American Banker
Lawrence Kaplan, an attorney at Paul Hastings, said lawmakers could look at policies such as a 2007 interagency guidance on subprime lending, or the Federal Deposit Insurance Corp's "frequently asked questions" document on brokered deposits, to see if they should have been considered rules that were subject to congressional review...

"It's all interpretation," he said. But he added that policymakers should be cautious about eliminating certain pieces of guidance, such as one on third-party risk management, that protect the system.

Congress to Unleash Predatory Auto Loan Lenders on Black People | News One
The Senate's roll back of President Barack Obama's policy has "emboldened banks and finance companies to engage in racial discrimination by charging millions of people of color more for a car loan than is justified," Rion Dennis of **Americans for Financial Reform** told the New York Times.

See statements by Americans for Financial Reform and Consumer Federation of America, and joint statement by civil rights and consumer groups.

Time for Senators to Look in the Mirror | Medium.com (Jim Lardner)

GOP maneuver could put decades of regulations at risk | Politico Pro
Republicans have landed on a way to target a wide array of decisions — including regulatory guidance — that haven't typically been implemented as formal rules under the Administrative Procedure Act.

Racial-Profiling Rule Reversal | Wall St. Journal (editorial)
Moderate Democrats backed Dodd-Frank's prohibition on regulating auto dealers, and 88 House Democrats joined Republicans in 2015 in an effort to kill the auto-financing rule. Yet now that repeal is likely to be signed by President Trump, West Virginia's Joe Manchin was the only Senate Democrat to vote for the repeal resolution. The House will take up repeal soon, and it'll be fascinating to see how many Democrats renege on their 2015 votes. The political point to keep in mind is that if Democrats retake Congress in November, the brief era of deregulation will be over.

9 Democrats Sign Up To Help Wall Street Steal Cars | Huffington Post (Zach Carter)
The bill, authored by one of the bureau's most ferocious critics, Rep. Sean Duffy (R-Wis.), has the backing of self-styled progressives, such as Rep. Gwen Moore (D-Wis.) and Sen. Tammy Baldwin (D-Wis.), along with seven more conservative House Democrats and Sen. Joe Manchin (D-W.Va.).

The legislation would deny the CFPB jurisdiction over companies that are subject to state insurance regulation that also engage in "offering or providing a consumer financial product or service..."

In January, the progressive advocacy group **Americans for Financial Reform** sent a sharply worded letter to members of Congress warning that the bill "strikes a major blow against CFPB regulatory authority over large financial services firms" that "would have called into question the

CFPB's ability to investigate and punish the Wells Fargo scheme to sell unnecessary insurance to its auto credit customers."

Americans are set for relief from an Obama-era financial rule | The Hill (James Setterlund)

Frustration mounts as Dodd-Frank rollback stalls | The Hill
The measure is a longtime goal of Republicans and the financial services industry. But Speaker Paul Ryan (R-Wis.) is keeping the bill off the House floor until senators agree to add on a slew of banking reforms that have passed the lower chamber.

Senators are resisting any changes to the bill, arguing their bill is the result of hard-fought negotiations and the best chance for sweeping bipartisan reform of Dodd-Frank. The deadlock has lobbyists for the banking industry and credit unions growing increasingly frustrated with the House. They plan to raise pressure during the two-week Easter recess for the House to take up the bill.

Congress is whittling away at Dodd-Frank. It could cause a dangerous ripple effect. | Washington Post (editorial)
The Senate has authorized a financial-regulation bill that adjusts the Dodd-Frank Act framework enacted eight years ago in the aftermath of the worst financial crisis since the Great Depression. At the moment, final passage is stalled, because of a conflict with the House, which wants a commitment from the Senate to vote on additional provisions — including a good number that were adopted on a bipartisan basis in the House. This is an unwelcome development to the extent that it delays passage of the measure's innocuous provisions, such as regulatory relief for small community banks. The delay is welcome, though, to the extent that it gives both chambers time to reconsider the bill's more dubious provisions, such as the potential redesignation of banks with up to $250 billion in assets as no longer subject to the strictest level of supervision.

Why the Dodd-Frank Rollback Has Some Small Banks Yawning | Wall St. Journal
[S]ome bankers are underwhelmed. In crafting a bill with enough votes to pass the Senate last month, lawmakers landed on a compromise filled with caveats and exclusions. Many provisions would apply only to slices of the industry. Some small banks benefit, but others don't. The bill's centerpiece proposal relaxes rules only for roughly two dozen relatively large regional banks, such as SunTrust Banks Inc. and Ally Financial Inc., with assets of between $50 billion and $250 billion.
Trump's Bank Regulators | Credit Slips (Alan White)
ProPublica's new web-site "Trump Town" tracks political appointees across federal agencies. In light of the president's promises to "drain the swamp", it is interesting to peruse some of the Treasury Department appointees responsible for bank regulation. I previously wrote about Secretary Mnuchin and Comptroller Joseph Otting and their connections to subprime mortgage foreclosure profiteers. Lower-level political appointees at Treasury seem to come mostly from one of three backgrounds – lawyers and lobbyists for banks, real estate investors (and sometimes Trump campaign officials), or former staffers for Republican members of Congress.

[Louisiana banks hope for regulatory relief from Congress; critics fear unraveling of post-crisis protections](#) **| The Advocate**
More than 100 Louisiana-based banks could be freed from a range of federal regulations if Congress passes a major rollback of banking rules put in place in the wake of the 2008 financial crisis.

"Support for this bill is support for stripping back and weakening the regulatory safeguards passed in response to the disastrous 2008 financial crisis," **Americans for Financial Reform**, a progressive nonprofit which advocates for stricter Wall Street regulation, wrote in a letter to members of Congress.

[House Passes Bill to Streamline 'Volcker Rule'](#) **| NY Times**
The U.S. House of Representatives voted on Friday to name the Federal Reserve as the primary regulator for the "Volcker Rule," which bars banks from speculative trading. The bill, which was approved by a vote of 300-104, would streamline the rule which is currently enforced by five separate regulators. The degree of bipartisan support for the measure suggests House lawmakers may try to include it in a broader bill easing bank rules that has already passed the Senate.

[Crapo faces FEC complaint over fundraisers at Pruitt pad](#) **| PoliticoPro**

CONSUMER FINANCE AND THE CFPB

[Critics Say Payday Lenders Buying White House Access With Trump Doral Conference This Week](#) **| Miami New Times**
As payday lenders from across America converge on Miami this week for the industry's annual conference, they'll be greeted at the airport by signs protesting their arrival. "Keep your purse close," one ad in baggage claim warns. "The payday lending conference is in town."

[Payday lending fight moves to federal level](#) **| Columbus Ohio Republic (Erin Macey)**

[Local faith leaders protest lender association conference in Doral](#) **| WSVN-TV Miami**
More than 20 people were joined by an economist to protest the annual conference of the National Payday Lender Association at the Trump National Doral golf resort.

That economist, Dr. Julianne Malveaux, said lenders are taking advantage of low-income residents. "As an economist, I'm especially concerned that African-American, Latino people, low-income people are being exploited by this payday lending industry," she said. "They call themselves 'small dollar lenders,' but the fact is that their small dollars turn into big dollars out of people's pockets."

[Faith Leaders Gather At Trump National Doral To Protest Against Payday Lending Conference](#) **| WGCU Radio**

[CBF leaders protest annual gathering of payday lenders](#) **| Baptist News Global**
Stephen Reeves. CBF associate coordinator for partnerships and advocacy, called the April 16-19 CFSAA gathering "a picture of so much of what is wrong with our country."

“So-called ‘businessmen’ who see hard working Americans not as those created in God’s image, not as neighbors, not even as fellow citizens worthy of respect, but instead as potential profit centers who, in their struggle, are ripe for the picking,” Reeves said.

“They’re willing to use the billions taken from folks living paycheck to paycheck to perpetuate and expand their immoral and wildly profitable scam,” Reeves continued. “They’ve got hundreds of lawyers, lobbyists and bought-off politicians — all too willing to oblige as long as the contributions keep flowing. Sadly this is a bipartisan affair.”

Progressive groups protest payday loan conference at Trump resort | Tampa Bay Times
Speakers from the New Florida Majority, the Latino Victory Project, the Florida Immigrant Coalition and the Miami-Dade Democratic Party are there to object to what they call a "predatory" industry.

They say it's no coincidence that the industry is having its conference at a Trump resort. Since President Donald Trump took office, his pick to lead the Consumer Financial Protection Bureau has taken a hands-off approach to the payday lending industry, choosing to wait before implementing a new CFPB rule that would limit how many loans the industry can give someone each year.

See statement by Stop the Debt Trap.

A payday lender is accused of stealing millions from customers. Trump’s CFPB is now letting them off the hook. | Vox
In the agency’s first report to Congress since Mick Mulvaney took the helm in November, the CFPB said it is dropping sanctions against NDG Financial Corp, a group of 21 businesses that the agency, under President Obama, had accused of running “a cross-border online payday lending scheme” in Canada and the United States…

In February, the agency dismissed charges against six defendants in the case, according to federal court records… Now the CFPB is “terminating sanctions” against the remaining defendants, according to the agency’s latest report to Congress. A federal judge had sanctioned the uncooperative defendants in March by entering a default judgment against them, which held them liable for the charges of unfair and deceptive business practices. The next step was to figure out how much they would pay in damages to consumers and attorney’s fees — a step that the CFPB suggests it won’t be taking anymore.

Soft-pedaling on payday debt collectors tramples consumer rights | The Hill (Komala Ramachandra)
Mick Mulvaney has made no secret of his intention to bring the Consumer Financial Protection Bureau to heel. In his congressional testimony this week, the bureau’s acting director pledged to enforce the law but argued the CFPB is redundant and unnecessary. Mulvaney, also the Office of Management and Budget director, undermined his own commitments to use data to drive his enforcement decisions. Though he cited the fact that “almost a third of complaints into this office related to debt collection,” more than any other category of complaints, Mulvaney already seems to be easing up the CFPB’s efforts to hold payday debt collectors accountable. That would be bad news for consumers caught in these companies’ abusive practices.

Put an end to unaffordable payday loans | Lewiston Maine Sun Journal (Barbara Alexander)

A good consumer agency is a weak consumer agency, says Trump's watchdog | LA Times (David Lazarus)
Mulvaney appeared before Congress last week to make a legally required report to lawmakers on how the CFPB is doing. Short answer: Not so good. The CFPB needs "to recognize free markets," Mulvaney said, and it needs to take "a humble approach to enforcing the law."

Because if there's anything banks and payday lenders respect in government regulators, it's humility.

Lisa Donner, executive director of **Americans for Financial Reform**, said Mulvaney "has spent four months doing the bidding of big banks and financial companies, notably the payday lenders, instead of policing them on behalf of the public."

CFPB Chief Warns Against Leaks By Staff, Says Probe Under Way | Wall St. Journal
The Consumer Financial Protection Bureau's acting director, Mick Mulvaney, warned staffers not to leak information about the bureau's enforcement work, a move aimed at tamping down what he has called "ideologues and activists" inside the agency. In a memo sent last week, Mr. Mulvaney said he asked the CFPB's inspector general to investigate leaks, adding he supports "appropriate disciplinary and other actions" against offenders…

"I think the leakers could be patriots. They want the bureau to do a better job and they are frustrated that it has been taken over by someone who opposes the very idea of the bureau," said Ed Mierzwinski, a senior director at U.S. PIRG, a consumer advocacy group.

DERIVATIVES, COMMODITIES & THE CFTC

America should build on the Swiss model to regulate cryptocurrency | The Hill (Mark Jamison)

ENFORCEMENT

Wells Fargo to pay $1B for mortgage, auto lending abuses | Associated Press
Wells Fargo will pay $1 billion to federal regulators to settle charges tied to its mortgage and auto lending business, the latest chapter in years-long, wide-ranging scandal at the banking giant. However, it appears that none of the $1 billion will go directly to the victims of Wells Fargo's abuses.

In a settlement announced Friday, Wells will pay $500 million to the Office of the Comptroller of the Currency, its main national bank regulator, as well as a net $500 million to the Consumer Financial Protection Bureau.

Wells Fargo Said to Be Target of $1 Billion U.S. Fine | NY Times

Wells Fargo Reportedly Will Be Fined $1 Billion For Screwing Its Customers | Splinter
"By voting to roll back the CFPB's work, senators have emboldened banks and finance companies to engage in racial discrimination by charging millions of people of color more for a car loan than is justified," Rion Dennis of **Americans for Financial Reform** said in a statement responding to that vote. "Lawmakers have also opened the door to challenging longstanding agency actions that are crucial to protecting workers, consumers, civil rights, the environment and the economy."

Wells Fargo CEO suggests more problems could come to light | PoliticoPro

What Are We To Make of the CFPB's Billion Dollar Wells Fine? | Public Citizen (Jeff Sovern)
Fines are supposed to both punish past misconduct and deter future misconduct. How much additional deterrence are we going to get from this fine? Wells had already been slammed by the Bureau, OCC, and the Federal Reserve. If that's a prerequisite for a Mulvaney-enforcement action, how many financial institutions are going to avoid misconduct out of fear that the same thing could happen to them? Probably not many if they think that they will escape punishment from the Bureau unless they have the string of misbehavior that Wells has been tagged for. Could what's really be going on be a political exercise in creating the illusion of forceful consumer protection without making other financial institutions worry that the Bureau will come after them? In addition, how would the Bureau have looked if it had not fined Wells when the OCC was imposing a $500 million fine on them? Did the OCC's action increase the pressure on Mr. Mulvaney to act?

U.S. to fine Wells Fargo $1 billion — the most aggressive bank penalty of the Trump era | Washington Post

Wall Street Titan Takes Aim at Law That Tripped Him Up | NY Times
Mr. Greenberg has taken aim at the Martin Act, the sweeping state securities law that was used against him. The far smaller insurer where Mr. Greenberg is serving as chief executive, C.V. Starr & Company, has helped develop, circulate and lobby for new federal legislation that would preempt the Martin Act and other state securities laws.

FEDERAL RESERVE

If Fed Moves Unlock Billions at Banks, Here's Who Might Win Most | Bloomberg
On April 10, the Federal Reserve proposed making the stress tests less stressful, while tying capital demands much more closely to how banks perform in the annual exams. On April 11, the Fed and Office of the Comptroller of the Currency proposed easing limits on how much banks can rely on borrowed money by tweaking the leverage ratio rule, which is meant to prevent lenders from getting dangerously overextended.

Marcus Stanley, policy director at **Americans for Financial Reform** in Washington, accused the Fed and OCC of "caving in to the agenda of too-big-to-fail banks" to make changes he called "irresponsible."

Fed official defends moves on bank regulation, supervision | The Hill
The Federal Reserve's first vice chairman of supervision faced a slew of questions on Tuesday from lawmakers concerned with how he'd reshape the ways it regulates and oversees U.S. banks. Randal Quarles, the Fed's lead on regulation and oversight, faced lawmakers for the first time since his July confirmation hearing. Quarles told members of the House Financial Services Committee that the central bank was making progress on several efforts to loosen Dodd-Frank Act rules, which were passed in 2010 to stabilize the financial system.

Quarles suggests new Fed approach to ILCs | American Banker
Quarles, who comes from the state — Utah — where ILCs are most prevalent, on Wednesday said he did not have any particular concerns about ILC charters or companies that apply for one, saying that such applications should be considered and granted based on the strength of the application…

The issue had been in the public eye in the mid 2000s when Walmart applied for an ILC charter, only to find its application opposed by the banking industry and forces opposed to the company more generally.

The Fed was always believed to oppose ILC parents' ability to charter a depository institution without having to become bank holding companies.

Trump announces two Federal Reserve nominations | The Hill
President Trump on Monday announced two new nominees to the Federal Reserve board. Richard Clarida, a Columbia University Republican economist and monetary policy specialist, will be nominated to serve as vice chairman to Fed Chairman Jerome Powell. The other nominee, Michelle Bowman, has been Kansas's bank commissioner since the beginning of last year.

Fed's bank regulator defends Volcker, lending rule easing | Thomson Reuters
U.S. President Donald Trump's top banking regulator on Tuesday defended plans to ease lending rules and trading restrictions introduced following the 2007-2009 global financial crisis during his first appearance before Congress. Federal Reserve Vice Chair for Supervision Randal Quarles plays a key role in Trump's pledge to spur economic growth by cutting red tape, but his proposals were challenged by Democratic lawmakers worried about creating new risks and harming consumers. "The Trump administration and my colleagues across the aisle are working to move our system of banking regulation in exactly the wrong direction," ranking member Democrat Maxine Waters said in opening remarks at the House Financial Services Committee on Tuesday.

Bank Earnings Boom as Regulators Relax Rules | NY Times
Citigroup and JPMorgan each revealed slightly thinner capital cushions in the first quarter, apparently reflecting their expectation that regulators would ease rules for banks in the coming months. With reduced capital buffers, the banks can afford to spend more on repurchasing their shares, distributing dividends to shareholders, paying their employees or lending more to clients. The reduction in the banks' capital cushions is slight, but it is a sign that actions by the Trump administration and its appointees are having a concrete impact on the banking industry.

Fed's Brainard says new rules needed to help lending in poor areas | Thomson Reuters
Federal Reserve Governor Lael Brainard on Tuesday said she supports updating banking regulations to help credit flow to low-income areas. The comments by Brainard - the only members of the Fed's Board of Governors nominated by former U.S. President Barack Obama - come after the Trump administration proposed on April 3 that regulators relax penalties for banks that fail to meet their obligation to lend to low-income communities.

Quarles: Citi, JPM wouldn't benefit from proposed change to backup capital rule | PoliticoPro
The bill's supporters have argued that the change would be confined to BNY Mellon, State Street and Northern Trust, but critics have warned that its application may be broader.

The Senate-passed bill would exclude from the ratio cash deposits at the Fed from banks "predominantly" engaged in custodial services. "My reading of that provision would be the word 'predominantly' would not include the activities of a firm such as Citi or JPMorgan," Quarles said in response to Sen. Elizabeth Warren (D-Mass.) during a Senate Banking Committee hearing.

See statement by Americans for Financial Reform.

INVESTOR PROTECTION, THE SEC, AND RETIREMENT SAVINGS

The SEC's New Advice Rule Does Brokers a Huge Favor | Bloomberg
The Securities and Exchange Commission just threw brokers a lifeline. They should grab it. Brokers' troubles began in April 2015, when the Department of Labor first proposed its so-called fiduciary rule. The rule, which was issued a year later, requires brokers to act as, well, fiduciaries -- or to put their clients' interests ahead of their own -- when handling retirement accounts. It was a big departure from business as usual. Fund companies and other purveyors of financial products typically pay brokers to sell their wares, which means brokers are incentivized to recommend those that pay them the most, not necessarily those that are in their clients' best interests. The naked conflict doesn't exactly promote trust, so brokers aren't quick to disclose it to clients...

Brokers now faced an existential problem, not just a regulatory one. Traditional brokerage firms charge a fortune for those "completed sales," either in the form of high commissions or hidden sales charges that fund companies pay brokers and pass on to investors. Investors can buy comparable, if not identical, financial products from online brokers at a fraction of the cost, in some cases without paying any commissions at all.

Burning Questions Arise About SEC's Best Interest Standard | Law360
Less than a day after the U.S. Securities and Exchange Commission released its plans to hold broker-dealers to a higher standard of care when advising retail clients, lawyers and consumer advocates began raising flags about parts of the mammoth proposal, signaling the agency still has much to do before it can finalize the long-awaited new rules.

These experts cracked the roughly 1,000 pages of proposals as soon as they were made public Wednesday night, following a split and somewhat contentious commission vote on releasing them. Several said they found that, despite the apparent long hours commission staff put into drafting the rules, there are still a number of issues that make it unclear how the rules would work in practice, and whether they would actually come close to solving the problem of investor confusion and conflicted financial advice.

SEC Seeks to Require Brokers to Put Their Clients First | NY Times
Based on their reading of the proposal thus far, advocates said, the rule is not as strict as the Labor Department's and relies too much on disclosure. At a minimum, brokers would be required to disclose and "mitigate" conflicts, but the rule would not require them to broadly eliminate them.

"The standard of conduct the agency has articulated appears ambiguous at best," Marcus Stanley, policy director at **Americans for Financial Reform**, said in a statement. "It doesn't simply ban the sales quotas and other compensation practices that lead brokers to put their clients into high-fee, lower-yielding investments."

See statements by **Americans for Financial Reform**, **AFL-CIO** and **Economic Policy Institute.**

Norway snub turns up heat on private equity fee model | Financial Times
Until recently, top executives at large private equity groups were boasting about how great it was for large sovereign wealth funds to start investing in the industry.

But Norway's recent decision (for the second time) to not invest in the sector partly over concerns about the lack of transparency over fees has prompted calls for private equity managers to become a lot more forthcoming.

Mass. Regulators Want Scottrade Suit Out of Federal Court | Bloomberg Government
The Enforcement Section of the Massachusetts Securities Division on April 13 asked a federal judge to send the case back to the state's administrative system after Scottrade argued in March that the dispute should be heard in federal court. State regulators say the federal court doesn't have jurisdiction to hear the dispute. That's because Scottrade is accused of violating internal policies designed to comply with the Labor Department fiduciary rule, and not with violations of a federal statute like the Employee Retirement Income Security Act, regulators say.

Mass. Regulators Want Scottrade Suit Out of Federal Court | Bloomberg Government
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MORTGAGES AND HOUSING

Blacks Still Face a Red Line on Housing | NY Times (editorial)
For generations of white American families, homeownership has been a fundamental means of accumulating wealth. Their homes have grown in value over time, providing security in

retirement and serving as an asset against which they can borrow for education or other purposes.

But African-Americans were essentially shut out of early federal programs that promoted homeownership and financial well-being — including the all-important New Deal mortgage insurance system that generated the mid-20th-century homeownership boom. This missed opportunity to amass wealth that white Americans took for granted is evident to this day in a yawning black-white wealth gap and in worse health, living conditions and educational opportunities for African-Americans.

Segregation's Legacy | US News
Now, a half century after the Fair Housing Act became a civil-rights landmark, multiple studies show housing in America is nearly as segregated as it was when LBJ enacted a law designed to eliminate it. Study after study shows African-Americans still lag far behind whites in home ownership, a key asset in building middle-class wealth.

At the same time, the institutional problems the Fair Housing Act was designed to solve – inequality in mortgage lending and homeownership, as well as real-estate agents steering black home buyers to certain neighborhoods and landlords who avoid renting to minorities – haven't gone away. Limited access to housing in stable, middle-class neighborhoods, analysts say, has had a negative impact on everything from the quality of education black children receive to the health and longevity of their parents.

The 'C' in CRA should still mean something | American Banker (Paulina Gonzalez & Luis Granados)
Several of Treasury's proposed changes seem to be written by bankers, for bankers. One recommendation, for example, expands the scope of activities that count for CRA credit. CRA already counts many different activities, making it easy for banks to score high on their exams. In fact, 96% of banks receive a "Satisfactory" or "Outstanding" score, despite evidence that many of these same banks have engaged in harmful behavior such as discriminating against people of color for home and small-business loans, providing loans that fuel displacement, and reducing access to bank branches. We shouldn't make it even easier for bad actors to score high.

Facebook investigated over alleged housing discrimination | The Hill
The Department of Housing and Urban Development (HUD) has reopened its investigation into whether Facebook violated fair housing laws, HUD Secretary Ben Carson said Wednesday. "We were very concerned when we began to uncover the facts," Carson told a Senate panel after Sen. Brian Schatz (D-Hawaii) pressed him on the issue. HUD had ended its initial investigation of Facebook over potentially facilitating housing discrimination last November, The New York Times reported. Carson claimed Wednesday that HUD dropped the probe because of time pressures, with a plan to pick it up again later. HUD's investigation of Facebook started in 2016 following a ProPublica report that found that advertisers, including those posting housing ads, could exclude Facebook users by racial categories.

U.S. Homebuying Slows Down, But Not for Hispanics | CityLab

REGULATION IN GENERAL

The Libertarian Who Accidentally Helped Make the Case for Regulation | Washington Monthly (Rachel Cohen)
The new paper undermines one of the most deeply held convictions of the American right, one that unites libertarians like Tabarrok with mainstream conservatives: that regulations inevitably impose "deadweight loss" on the economy and are therefore an enemy of economic growth. ..

The premise that regulations come at the expense of economic activity—that we must always make trade-offs between safety and jobs—is so pervasive that even the American left tends to accept it, defending regulations as necessary evils to promote other social goods. Yet there has never been strong evidence that these trade-offs actually exist. To the contrary, federal regulations have often driven growth and innovation, whether it's fuel standards spurring new electric cars and solar energy, or the Dodd-Frank law causing an entirely new industry—financial technology—to appear out of whole cloth.

How a GOLIATH Act Could Restore Consumer Rights | Center for American Progress
Policymakers should also expand consumer rights and enforcement to ensure that no matter how large a company may get, its obligation to treat customers fairly never goes away. Creating and passing legislation such as a GOLIATH Act—a Center for American Progress proposal that is short for Government Oversight of Large Industry Activities That Harm Americans—would do just that. Like David's slingshot, which took down a power-hungry giant, the GOLIATH Act would protect individuals from mistreatment by concentrated corporations. While some provisions require federal investment and enforcement, others would simply restore the rights of individuals to take action themselves without requiring government intervention.

Trump team continues to roll back the regulatory state | The Hill (Ken Blackwell)
In President Donald Trump's war on burdensome, unnecessary government regulations, two members of his team stand out: Scott Pruitt, administrator of the Environmental Protection Agency (EPA), and Mick Mulvaney, the acting director of the Consumer Financial Protection Bureau (CFPB). As President Trump continues his all-out war on the regulatory state, he certainly has picked the right soldiers in Mick Mulvaney and Scott Pruitt to continue draining the proverbial regulatory swamp.

White House Looking to Review Independent Agency Rules | Bloomberg Government
The Trump administration is looking to review rules issued by independent regulatory agencies, despite concerns that it could jeopardize their independence.

Regulators Take On Silicon Valley, as They Did Earlier Innovator | Wall St. Journal (John Steele Gordon)
The political debate surrounding Facebook today reflects an old pattern in American economic history. Whenever a major new force—whether a product, technology, or organizational form—enters the economic arena, two things happen. First, enormous fortunes are created by entrepreneurs who successfully exploit the new, largely unregulated economic niches that have opened up. Second, the effects of the new force run up against the public interest and the rights of others. Sometimes these side effects are an inevitable part of the creative destruction that drives future prosperity.

But sometimes the new force can be used to secure unfair advantages or threaten the integrity of the market as a whole. In those cases a new corpus of laws, regulations and commercial norms must be developed, either by government or the entrepreneurs themselves.

What else have they gotten wrong? | Coalition for Sensible Safeguards
This month, Washington Monthly looked at a libertarian economist Alex Tabarrok of George Mason University's Mercatus Center. Tabarrok went looking for the effects of federal regulation on "economic dynamism" expecting to find support for the conservative dogma that government regulation harms the economy. He found none. What is remarkable is he published the paper anyway.

STUDENT LOANS AND FOR-PROFIT COLLEGES

For-profit colleges struggle despite administration support | Chicago Tribune
Education Secretary Betsy DeVos has hired several industry insiders and frozen Obama-era regulations that would have increased protections for students. She has reduced loan forgiveness relief for some former students defrauded by their schools, meaning that the for-profit industry could be on the hook for less. And she is considering reinstating an ousted oversight agency for many for-profit colleges…

But Timothy Lutts, president of the Cabot Wealth Network in Salem, Massachusetts, sees an industry in decline. An improving economy has led to lagging enrollment as adult students return to the workplace instead of seeking a degree to burnish their resumes, he said. For-profit colleges now also compete with nonprofit schools that offer online degree programs without the stigma that still haunts money-making schools.

For-profit colleges lose when two-year colleges offer B.A. degrees | Hechinger Report

SYSTEMIC RISK

Big Banks Find a Back Door to Finance Subprime Loans | Wall St. Journal
These days, Wells Fargo and Citigroup are unlikely to make a $14,000 auto loan to a borrower with a subprime credit score. That is now the domain of direct lenders such as Exeter Finance LLC, based in Irving, Texas. But where does Exeter get the money to make subprime auto loans? From Wells Fargo and Citigroup. They have helped lend Exeter $1.4 billion for that very purpose.

During the housing boom, banks thought they had unloaded the risk of subprime mortgages to other institutions through collateralized debt obligations or vehicles known as conduits. Yet in the stress of the crisis, they found the risk landed back with them. "It's very easy for people to deceive themselves over whether risk has migrated," said Marcus Stanley, policy director at **Americans for Financial Reform**, a nonprofit organization that advocates for tougher financial regulation.

[How The Lending Landscape Is Quietly Changing](#) | **PYMNTS**
Subprime borrowers end up with the funds — though on average, their poor credit score (of around 570) means they pay a high rate on the loans, generally around 15 percent. Exeter makes its money on the difference between the rate it charges and the 3 percent or so the banks charges them on their loan. Exeter, which is majority-owned by private equity firm Blackstone Group LP, eventually bundles its loans into securities and sells them to private investors. It then uses those funds to repay the banks and pay off their fees. They report a charge-off rate of around 9 percent — as compared to the 1-2 percent that is common on bank loans.

"It's very easy for people to deceive themselves over whether risk has migrated," said Marcus Stanley, policy director at **Americans for Financial Reform**, a nonprofit organization that advocates for tougher financial regulation, told The Wall Street Journal.

The Fed's Capital Mistake | Wall St. Journal (editorial)
[The] looming Senate banking bill… exempts central bank deposits from the leverage limit for custodial banks. This provision would reduce capital requirements by an effective 20% to 25% for State Street and Bank of New York Mellon.

We warned last month that other big banks like Citi and J.P. Morgan would also demand a dispensation, and what do you know? The Fed is soliciting comment on "carving out central bank reserves" from the leverage limit.

All of this seems short-sighted, not least for the banks. They support easing some of Dodd-Frank's regulations, and we agree. But then they should support higher capital as protection against bad lending bets or another recession. Instead the banks want less regulation and less capital, which will set them up for Senator Elizabeth Warren's tender mercies when the next panic strikes.

OTHER TOPICS

During tenure working for banks, Tim Pawlenty thrilled Wall Street, angered consumer advocates | Star Tribune
Between his last stint as governor and his new bid to reclaim the job, Tim Pawlenty landed a lucrative gig in Washington as a key spokesman for the nation's largest banks at a time when the country was slowly climbing back from the Great Recession.

"Across party and regional lines, most people think Wall Street has too much influence in Washington. And they think that because it does," said Lisa Donner, executive director of **Americans for Financial Reform**, a consortium of labor unions, consumer groups, liberal think tanks and organizations like AARP.

Can This Anti-Establishment Republican Survive the Trump Era? | The Intercept
[Rep. Walter] Jones, who is in his 11th term in office, cuts an unlikely figure in Washington, D.C. He has fought for a higher minimum wage, tougher regulations on Wall Street, and stronger limits on big money in politics…

Scott Dacey, a casino and tax lobbyist who also serves on the Craven County Board of Commissioners, will be Jones's opponent in North Carolina's 3rd Congressional District Republican primary on May 8. Dacey divides his time between Washington, D.C., and North Carolina. According to a recently filed ethics form, he manages a Washington lobbying firm, from which he collected $509,899 last year in salary and profit-sharing, and co-owns a lucrative investment property on Capitol Hill.

In the era of Donald Trump, New England's biggest GOP donor is funding Democrats | Boston Globe
Boston hedge fund billionaire Seth Klarman lavished more than $7 million on Republican candidates and political committees during the Obama administration, using his fortune to help underwrite a GOP takeover of the federal government.

But the rise of Donald Trump shocked and dismayed Klarman, as did the timid response from the Republican-controlled House and Senate, which have acquiesced rather than challenge the president's erratic and divisive ways. So, in an astonishing flip, Klarman, at one point New England's most generous donor to Republicans, is taking his money elsewhere: He's heaping cash on Democrats.

FDIC to require digital fingerprints from bank charter applicants, reflecting shift to biometric checks | Thomson Reuters

Some banks eager to adopt new anti-laundering technology despite U.S. regulatory hurdles | Thomson Reuters