This Week in Wall Street Reform | Aug 18 – 30

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FINANCIAL CRISIS ANNIVERSARY

Ten Years After | New Yorker (George Packer)
Perhaps Obama made too many compromises in the hope of appealing to a bipartisanship that was already dead. But his biggest mistake was to save the bankers along with the banks. After a financial crisis caused in part by fraud, not a single top Wall Street executive was brought to trial. The public wanted to punish the malefactors, but justice was never done.

In the years after the crash, you could feel the fabric of the country fraying. The Tea Party and Occupy Wall Street rose up as opposite expressions of antiestablishment rage, nourished by the sense that colluding élites in government and business had got away with a crime. The game was rigged—that became the consensus of the alienated. The left turned its anger on corporations and banks; the right blamed bureaucrats, minority groups, and immigrants.

US Banks Made More Than $60 Billion in Profits Last Quarter | NY Times
U.S. banks set a record by making more than $60 billion in profits in the second quarter, federal regulators said Thursday, up more than 25 percent from a year earlier. The Federal Deposit Insurance Corporation said the profit boost came because banks have been able to charge more interest on loans in recent months, and received a substantial lift from the tax law enacted last year that lowered corporate income tax rates… There are more than 5,500 insured banks in the U.S. but the lion's share of the profits was earned by the nation's largest banks.

The nation's nine largest banks, those that have more than $250 billion in assets, earned roughly half of all profits. Banks with assets between $10 billion and $250 billion earned $21.7 billion in profits collectively.

TRUMP ADMINISTRATION, CONGRESS AND WALL STREET

Why Do Republicans Want To Gut Bank Regulations Even More? | Forbes (Mayra Rodriguez Valladares)
Not satisfied with the regulatory relief that legislators bestowed upon banks under the Economic Growth, Regulatory Relief and Consumer Protection Act (S. 2155) signed earlier this year, seven Republican senators want to gut bank regulations even more. They wrote the Federal Reserve's Vice Chairman for Supervision, Randall Quarles, last Friday requesting the relaxation of key capital and liquidity rules for numerous banks in the $100 -250 billion asset range, and in some case, even for those larger than that range. Senators Bill Cassidy,(LA) James M. Inhofe,(OK) James Lankford,(OK) David Perdue(GA), Thom Tillis(NC), Michael Rounds(SD), and Jerry Moran (KS) are all signatories to the letter…

Under these senators' request, banks that would receive lighter capital and liquidity requirements would include foreign bank organizations such as Deutsche Bank. This is a bank which has become notorious for its significant problems with technology and due to its regulatory infractions…

CONSUMER FINANCE AND THE CFPB

Senate panel narrowly approves Trump consumer bureau pick | The Hill
All 13 Republicans on the Senate Banking Committee voted to recommend the confirmation of Kraninger to lead the polarizing financial regulator for a five-year term, while all 12 Democrats opposed her.

See AFR statement and joint letter on Kraninger nomination.

Mulvaney's long history with key consumer tool puts its future in doubt | CNN
The bureau is considering whether to change how it manages its consumer complaint database, including whether it should permanently halt releasing grievances publicly..

Advocacy groups and consumers point out that Mulvaney is seeking to relax public disclosure of consumer complaints in its database after receiving tens of thousands of dollars in contributions from companies that he's now charged with overseeing.
Eight of the 10 companies with the most registered complaints in the CFPB's consumer complaint database made financial contributions to Mulvaney when he was a House lawmaker, according to a report published by Public Citizen, a consumer rights advocacy group, and verified by CNN. Those companies include Wells Fargo, Bank of America, JPMorgan and Citibank, the consumer division of Citigroup, according to CFPB data as of July 27.

Can state AGs really serve as 'mini-CFPBs'? | American Banker
Only a handful of states, such as Pennsylvania and New Jersey, have announced plans to create so-called "mini-CFPBs" to focus on consumer issues in their respective jurisdictions. In other states, budgets have been too constrained to expand enforcement operations beyond what AGs were already doing to assist the CFPB under former Director Richard Cordray.

Pension's Payday Lending Investments Come Under Fire | Fundfire
An advocacy group is asking the $17.6 billion Montana Board of Investments (BOI) to reconsider its relationship with a private equity firm that owns a payday lending company…
The Montana Organizing Project, a faith-based community advocacy organization, has presented at three of the BOI's meetings this year…

BOI, which manages the state's nine pension funds, committed $25 million to a JLL Partners fund in 2004, according to pension documents. JLL's Fund V purchased ACE Cash for $455 million in 2006, giving BOI direct exposure to the payday lender.

Montana curtailed payday lending activities in its state after nearly 72% of participants in a 2010 referendum voted to cap annual interest rates for these loans at 36%... "We're invested in products that are illegal in the state of Montana," says Katie Sutton, director of the Montana Organizing Project. "When the Montana people say they don't want to participate in an industry that's predatory, then it behooves us to be more cognizant of how we spend our money."

Payday Lending Initiative: How Activists Plan to Stop 200 Percent Loans | **Westword**
An organization called Coloradans to Stop Predatory Payday Loans has submitted nearly twice the number of signatures required to get a payday lending initiative on the November ballot. If approved, the measure would impose a 36 percent cap on loans that can sometimes charge interest as high as 200 percent.

"We're looking forward to giving the voters of Colorado the opportunity to set this right," says Corrine Fowler, the campaign manager and proponent for the initiative. "We want to stop predatory lending in our state and ensure that all lenders have to play by the same rules."

Rules governing oversight of military lending may be changing | **Fox13 (Memphis and elsewhere)**

Let's not drop protections for troops from attacks by predatory lenders | **Greensboro (NC) News and Record (editorial)**
Members of the armed forces and their families make significant sacrifices to keep our country safe. The least our government can do in return is provide them with basic protections that make it possible for them to manage their finances without being ripped off.

Don't dilute protection for military loans | **Newport News (VA) Daily Press (editorial)**

Advocates to Mattis: Don't Waver in Protecting Troops Against Predatory Lenders | **Military Times**

Mulvaney is Urged Not to Weaken Consumer Protections | **Stars & Stripes**

Possible Enforcement Changes to Military Lending Act Spark Outcry | **Diverse Issues in Higher Education**

Senators urge consumer protection agency not to 'abandon' duty to protect troops, families | **Military Times**
The lawmakers — all 48 Senate Democrats and independent Vermont Sen. Bernie Sanders — asked for a commitment that the CFPB will use "all of the authorities available to the CFPB to ensure that service members and their families continue to receive all of their [Military Lending Act] protections."

See statement by StoptheDebtTrap coalition.

Keep protection of agency's payday loan rule | **Everett (WA) Herald (editorial)**
The public that the bureau was created to protect and advise overwhelming supports its work. The Pew Charitable Trusts, as part of its reporting on the payday loan industry, in 2015 found that 75 percent of respondents in its survey believed that payday loans should be more tightly regulated. A poll in 2017 commissioned by the Center for Responsible Lending and **Americans for Financial Reform** found 74 percent support for the CFPB and its mission, including 66 percent of those who identified as Republicans, 77 percent of independents and 85 percent of Democrats.

New Rules On Financial Protections May Hurt Ga. Military Members | **WABE (Atlanta NPR station)**

Credit Union Groups Fine With CFPB Backing Down on MLA Supervision | Credit Union Times
Taking a “step back” from MLA oversight would halt duplicative examinations, since the NCUA already supervises MLA compliance, said NAFCU Executive Vice President of Government Affairs and General Counsel Carrie Hunt.

Fintechs have more work to do to prevent discrimination: Congressman | American Banker
A House Democrat warned Friday that more action is needed to protect small-business borrowers from discrimination after releasing results of a survey on fintech lending practices.

Rep. Emanuel Cleaver of Missouri launched the survey last year to study the methods that fintech companies use to protect consumers from discrimination. It focused largely on the use of automated algorithms in loan applications, which fintech companies claim can reduce the risk of discrimination in lending decisions.

Fintech Brings New Options and a Lingering Old Problem for Consumers | Medium (Christine Hines)
a closer look at fintechs and their services uncovers a recognizable business practice that has long haunted customers (individuals and small businesses) of traditional banks and lenders. In a fintech report that his office released this month, Rep. Emanuel Cleaver (D-Mo.) acknowledged it too: fintech is embracing the decidedly anti-consumer practice of using the fine print to strip consumers of their rights.

What, Exactly, Is Under the Hood at Fintech Companies? | Barron’s

See Finance Watch briefing note on FinTech Action Plan: **“Dinosaurs in the Sandbox -- FIntechs are Not All Tiny and Cute.”**

Additional Wells misdeeds obscured by arbitration: Calif. Official | American Banker

DERIVATIVES, COMMODITIES & THE CFTC

Doing "a big number" on commodity market regulation | IATP Blog (Steve Suppan)
At the Commodity Futures Trading Commission (CFTC), the “big number” has taken the form of a notice for a proposed rule to introduce a “big number” of exemptions and exclusions to calculating the “de minimis” quantity of trading activity that would trigger Dodd-Frank authorized registration, regulation and reporting requirements for dealers of a commodity derivatives instrument called a “swap.” The Wall Street insolvency crisis and taxpayer bailouts of 2007-2010 were in part caused by the failure to regulate swaps trading and the undercapitalization of Goldman Sachs, J.P. Morgan, Morgan Stanley, Citigroup and other major swaps dealers to cover their losses.

In its comment on the notice, IATP agreed with and cited passages from Commissioner Rostin Benham’s wide-ranging dissent to the rule’s release for comment. Commissioner Benham wrote that “ancillary considerations” outlined in the notice of rulemaking “may signify the Commission’s willingness to exploit the de minimis exception to undermine the swap dealer definition and circumvent Congressional intent” of the Dodd-Frank Act.

Cryptocurrency exchanges form self-regulatory group | The Hill

EXECUTIVE COMPENSATION

The Market Made Them Do It | Inequality.org (Sam Pizzigati)
In 1999, notes a just-released new report from the Economic Policy Institute, CEOs at the nation's 350 biggest corporations pocketed 248 times the pay of average workers in their industries. Top execs last year averaged 312 times more.

What explains this growing generosity to America's top corporate chiefs? Today's apologists for over-the-top CEO compensation, like Jack Welch a generation ago, point to the market...

American corporate leaders take scarcity — of CEO talent — as a given. How else, in a market economy, to explain rapidly rising CEO pay? If quality CEOs abounded, executive compensation would not be soaring. But that compensation is soaring, so qualified CEOs obviously must be few and far between — and totally deserving of whatever many millions they receive. Simple market logic. And simply wrong.

FEDERAL RESERVE

Jerome Powell Defends Policy of Gradually Raising Interest Rates | Wall St. Journal
Mr. Powell's speech marked his first public appearance since President Trump criticized the central bank's policy plans, first last month and then last week, when he told donors he hoped Mr. Powell wouldn't disappoint him by raising rates.

INVESTOR PROTECTION, THE SEC, AND RETIREMENT SAVINGS

Trump asks SEC to study abolishing quarterly earnings reports | CNNMoney
"I'd like to see twice but we're going to see," Trump said. "So we're looking at that very very curiously, we're looking at twice a year instead of four times a year."

Trump Asks S.E.C. to Study Quarterly Earnings Requirements for Public Firms | NY Times
In a message posted on Twitter early Friday, the president wrote that he had directed the regulator to study moving corporate America to reporting earnings twice a year, saying such a move would allow greater flexibility and cost savings…

Others argue that longer stretches without corporations providing public information could lead to to abuse by those with inside information.

"Quarterly disclosures are very important. A lot can happen in six months, and it's just not appropriate to reduce disclosures," said Marcus Stanley, the policy director for **Americans for Financial Reform**, a coalition of foundations, unions and public interest groups that pushes for stronger financial regulation. "It's just going to advantage insiders further."

Donald Trump's sudden interest in quarterly earnings reports, explained | Vox (Emily Stewart)
The assertion — including why it was on Trump's mind in the first place — was a bit of a head-scratcher. Short-termism on Wall Street can be problematic, but keeping investors in the dark about their financials may not be the best solution.

JP Morgan's Jamie Dimon and Berkshire Hathaway's Warren Buffett complained about the matter in an op-ed in June, but they took issue with companies providing quarterly earnings guidance — a company's prediction of its near-term profits or losses — not quarterly reporting overall…

In his initial tweet on Friday, Trump said that a business leader had tipped him off to the whole quarterly-earnings-are-bad idea. Later in the day, he revealed who the tipster was: outgoing PepsiCo CEO Indra Nooyi, who brought it up to him at a dinner he held with her and other business leaders at his golf course in Bedminster, New Jersey.

Trump asks SEC to consider ending quarterly earnings reports | The Hill

Six Months Isn't 'Long Term' | Wall St. Journal (Robert C. Pozen and Mark J. Roe)
A better idea for reforming financial reporting would be for firms to stop issuing "guidance" on their earnings for the next quarter or year. Once a company puts its reputation on the line by projecting earnings of, say, $1.15 a share, executives may scramble and stretch to avoid missing that mark by even a penny. Earnings guidance is not required by the SEC, so companies should be able to break this bad habit on their own in response to growing criticism.

How Trump's corporate disclosure proposal could change investing | The Hill (Sylvan Lane)
Business leaders have long called for reducing the frequency of revenue forecasts, which are often included in quarterly earnings reports, in order to tamp down on short-term market speculation. While Trump's request is unlikely to get expedited consideration at the SEC, given the independent agency's lengthy regulatory agenda, analysts and lawmakers say the potential benefits and risks deserve serious scrutiny in the event that action is taken in the near term.

The case against mandatory shareholder arbitration | Reuters
Plaintiffs lawyers and consumer advocates seem increasingly concerned that sometime soon, whether it's through a corporate charter provision in an IPO or via a bylaw change for an already-public company, a public corporation is going to attempt to impose mandatory arbitration on its shareholders.

Anti-arbitration advocates are girding for that fight. In May, after Securities and Exchange Commission chair Jay Clayton left open the possibility that the SEC might support an IPO featuring a mandatory arbitration provision, lawyers at Public Justice, Public Citizen and the American Association for Justice teamed up with consumer stalwarts, including the Consumer Federation of America and the Consumers Union, in an advocacy group called Secure Our Savings. The entire mission of SOS is to whip up opposition to any prospective corporate scheme to force shareholders into arbitration.

Will Shareholders Lose The Right To Sue Over Corporate Fraud? | The Intercept (Susan Antilla)

Consumer Groups Lobby SEC to Drop Support of Mandatory Arbitration | ThinkAdvisor
In a letter to SEC Chairman Jay Clayton, 133 SOS members — which include the Consumer Federation of America, U.S. PIRG, Better Markets, **Americans for Financial Reform** — said that the SEC, Congress and the courts "have long recognized the important role that private lawsuits play in both deterring fraud and compensating defrauded investors without always having to rely upon government action."

Landmark Kentucky Pension Case Against KKR, Blackstone, and PAAMCO to Move to Trial? | Naked Capitalism (Yves Smith)
The suit charges breach of fiduciary duty and names a whole load of parties in addition to the three big fund managers as defendants, including Kentucky Retirement System's fiduciary counsel, Ice Miller, current and former directors, former senior employees, several financial advisers, its actuarial adviser, and even the firm that certified Kentucky Retirement System's Comprehensive Annual Financial Report.

SEC's charges against brokers tied to $1.2B Ponzi scheme highlight red flags to watch for | CNBC

Paul Singer, Doomsday Investor | New Yorker (Sheelah Kolhatkar)

MORTGAGES AND HOUSING

A Green Light for Banks to Start 'Redlining' Again | NY Times (Jesse Van Tol)
On Tuesday, the Office of the Comptroller of the Currency announced it will review and revise the rules it sets for banks to comply with the Community Reinvestment Act. One of the proposed changes is the introduction of a mathematical formula, a ratio, that banks and regulators could use to measure a bank's performance under the law. This ratio would be the value of all of a bank's community lending activities — loans, services and philanthropy — divided by some measure of the bank's capacity, such as total assets or total deposits. It is supposed to bring more clarity to how the government assesses compliance with the law. It sounds reasonable. But coupled with an expansion of the kinds of activities that could count as "community lending," it could allow banks to make fewer loans in poorer neighborhoods.

See statements by Americans for Financial Reform and National Community Reinvestment Coalition, and joint statement by national housing and civil rights groups.

Fight over unpopular fair-lending standard rages long after court case | American Banker
More than three years after a Supreme Court ruling validated "disparate impact" as a legal argument in fair-lending cases, the banking industry and housing advocacy groups are still at odds over how to interpret the decision.

The ruling supported disparate impact — which holds lenders liable for discrimination even if it was unintended — under the Fair Housing Act. But it also suggested a higher legal bar for plaintiffs to make their case.

The case, known as Texas Department of Housing and Community Affairs v. The Inclusive Communities Project, is playing a central role in the Department of Housing and Urban Development's plan to change its disparate impact rule.

How a Wells Fargo Counting Error Cost Hundreds Their Homes | The Atlantic
Coverage of the problem described it as "an error," or even "a computer glitch." The description in the Securities and Exchange Commission filing, meanwhile, raises as many questions as it answers…

We know this much: Wells Fargo created this software itself, according to Tom Goyda, a spokesperson for the company. “It was a tool that we developed,” he told me, “so the programming error was made internally...”

One thing that’s clear from the debacle is that Wells Fargo’s in-house software—whether it was just an Excel spreadsheet or something more sophisticated—meets the three criteria of a “weapon of math destruction,” as the author Cathy O’Neil memorably termed this kind of tool. It operated with opacity at scale and generated real damage. And if there were “a Mueller probe but for all of US banking during the housing bubble and crash,” as MSNBC’s Chris Hayes recently suggested, how many other financial bombs are still lurking in the wreckage of the Great Recession?

Here Comes the Second Wave of Big Money in the “Buy-to-Rent” Scheme | Wolf Street (Wolf Richter)

HUD launching push to get more landlords to accept housing vouchers | HousingWire

US regulators target Facebook on discriminatory housing ads | Washington Post
Federal regulators are alleging that Facebook’s advertising tools allow landlords and real estate brokers to engage in housing discrimination. The U.S. Department of Housing and Urban Development said in an administrative complaint this week that Facebook violated the Fair Housing Act because its targeting systems allow advertisers to exclude certain audiences, such as families with young children or disabled people, from seeing housing ads.

The National Mortgage Settlement is officially over | HousingWire
The National Mortgage Settlement, the massive mortgage servicing settlement between the federal government, 49 states (all excluding Oklahoma), and five of the nation’s biggest banks and mortgage servicers, is now done and complete…

The settlement, which was originally announced on Feb. 9, 2012, required Bank of America, Citigroup, JPMorgan Chase, Wells Fargo, and ResCap (Ally Financial) to provide $20 billion in consumer relief and $5 billion in other payments.

Ask a Lender unveils Best Mortgage Companies | Scotsman Guide

PRIVATE FUNDS

Who Killed Toys ‘R’ Us? Hint: It Wasn’t Only Amazon | Wall St. Journal (Gretchen Morgenson)
Many factors contributed to the retailer’s troubles, including the costs of a leveraged buyout, competition from Amazon.com Inc. and a disastrous Christmas season. What pushed it over the edge, however, was a small group of hedge funds.

Solus Alternative Asset Management, a New York hedge fund, pressed four other Toys “R” Us debtholders to conclude that the company was worth more dead than alive, according to two Toys “R” Us directors. That was enough to halt the company’s frantic restructuring effort.

REGULATION IN GENERAL

How the Trump Administration Is Remaking the Courts | NY Times
“The greatest threat to the rule of law in our modern society is the ever-expanding regulatory

state," [White House Counsel Don] McGahn declared in his November speech to the Federalist Society, "and the most effective bulwark against that threat is a strong judiciary." He added, "Regulatory reform and judicial selection are so deeply connected." This idea is now at the heart of the Federalist Society, whose members believe that federal agencies have become an unaccountable "fourth branch" of government — and that their bureaucrats, oftentimes experts in their fields, should no longer be shown any deference by the courts in how they apply laws enacted by Congress..

Gorsuch is said to have risen to the top of Trump's Supreme Court list in large part because of a 2016 concurring opinion he wrote as a judge on the United States Court of Appeals for the 10th Circuit, in which he forcefully attacked what's known as "Chevron deference" — a term that stems from a 1984 Supreme Court case, Chevron U.S.A. Inc. v. Natural Resources Defense Council Inc., that instructed courts to grant policymaking flexibility to government agencies.

If you care about your wallet, you should fear Judge Kavanaugh | The Hill (Dennis Kelleher)
There is little doubt that if Judge Kavanaugh is confirmed, he will tilt the scales of justice in favor of corporations over the interests of consumers, workers, investors, students and retirees, while making it harder for Wall Street's cops on the beat to protect the public from scammers, predators and crooks. Shortly after Judge Kavanaugh was nominated to the Supreme Court by President Trump on July 9, the Trump administration began touting his pro-business decisions and his track record of voting against regulatory agencies charged with protecting the health, safety, welfare and financial security of Americans. But being good for business, which usually means the largest corporations in the world, is often bad for workers, consumers, investors and victims of all sorts of illegal conduct.

Under Trump, Consumer Safety Agency Aims to Boost Cooperation With Business | Wall St. Journal
The agency charged with protecting U.S. consumers from dangerous products has changed tack under President Trump, curtailing certain regulatory practices that consumer groups applauded but businesses found intrusive. Ann Marie Buerkle, acting chairwoman of the Consumer Product Safety Commission since February 2017, has toned down what businesses describe as the confrontational approach of her Democratic predecessor. Ms. Buerkle, who wrote in 2016 that the commission shouldn't be used to "bully industry," says she is trying to more extensively include input from companies in resolving concerns about risky products.

Corporate concentration threatens American democracy | Washington Post (Nathan Gardels)
Corporate concentration in the United States is not only increasing inequality but also undermining competition and consumers' standard of living. Politically, the commensurate lobbying influence of big tech, big finance and other large conglomerates has created what political scientist Francis Fukuyama calls a "vetocracy" — where vested concerns have amassed the clout to choke off legislative reforms that would diminish their spoils.

Why the opposite is happening in the European Union is an unfamiliar tale of how governance one step removed from electoral democracy has been able to resist the lobbying of organized special interests to make policy that benefits the average person. Active antitrust policies in the second half of the 20th century fairly leveled the playing field of American commerce. "But starting around 2000, U.S. markets began to lose their competitive edge," Germán Gutiérrez and Thomas Philippon write, based on a new study…

Trump administration might be deregulating more than you know (or could know) | Washington Post
Trump — like many presidents of both parties — is using the White House's Office of Management and Budget (OMB) to change regulations before they are issued. And while these changes can be significant, the public has little or no ability to learn about them.

Under both Republican and Democratic presidents, the OMB was more likely to recommend changes to rules proposed by liberal agencies, such as the EPA and the Department of Labor, than those submitted by neutral or conservative agencies. A number of scholars have noted that since the 1980s, the OMB has had a deregulatory bent, favoring business over consumer and environmental interests. While these scholars found individual instances of this, our work is the first step toward a large-scale quantitative assessment.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

Student Loan Watchdog Quits, Says Trump Administration 'Turned Its Back' On Borrowers | NPR
In a scathing resignation letter, Seth Frotman, who until now was the student loan ombudsman at the Consumer Financial Protection Bureau, says current leadership "has turned its back on young people and their financial futures." The letter was addressed to Mick Mulvaney, the bureau's acting director...

Since 2011, the CFPB has handled more than 60,000 student loan complaints and, through its investigations and enforcement actions, returned more than $750 million to aggrieved borrowers. Frotman's office was central to those efforts. It also played a role in lawsuits against for-profit giants ITT Tech and Corinthian Colleges and the student loan company Navient.

Over the past year, the Trump administration has increasingly sidelined the CFPB's student loan office. Last August, the U.S. Department of Education announced it would stop sharing information with the bureau about the department's oversight of federal student loans, calling the CFPB "overreaching and unaccountable" and arguing that the bureau's actions were confusing borrowers and loan servicers alike.

Student Loan Watchdog Quits, Saying Trump Administration Is Harming Students | NY Times
Mr. Frotman is departing as consumer advocates are watching anxiously to see how Mr. Mulvaney will handle the bureau's highest-profile lawsuit, a case against Navient, one of the nation's largest student loan collectors. In 2017, just days before Mr. Trump's inauguration, the bureau sued Navient for what it said were extensive abuses and mistakes that harmed millions of borrowers struggling to repay their loans.

Mr. Mulvaney has not directly commented on the details of the case, which the bureau is still pursuing. In February, Navient's chief executive, John F. Remondi, wrote a letter to Mr. Mulvaney urging him to drop the lawsuit, which Mr. Remondi called "a prime example of what was wrong with the bureau" under Mr. Mulvaney's predecessor.

See statements by Americans for Financial Reform and ten allied organizations.

Student Loan Watchdog's Resignation Threatens Borrowers | Forbes (Susan Adams)

Trump's Student Debt Policies Are Mind-bogglingly Corrupt | New York Magazine (Eric Levitz)

U.S. higher education at risk as DeVos moves to ax for-profit rules | Hechinger Report (David Steele-Figueredo)

The Student Debt Problem is Worse than we Imagined | NY Times (Ben Miller)
Consider the official statistics: Of borrowers who started repaying in 2012, just over 10 percent had defaulted three years later. That's not too bad — but it's not the whole story. Federal data never before released shows that the default rate continued climbing to 16 percent over the next two years, after official tracking ended, meaning more than 841,000 borrowers were in default. Nearly as many were severely delinquent or not repaying their loans (for reasons besides going back to school or being in the military). The share of students facing serious struggles rose to 30 percent over all.

Collectively, these borrowers owed over $23 billion, including more than $9 billion in default. Nationally, those are crisis-level results, and they reveal how colleges are benefiting from billions in financial aid while students are left with debt they cannot repay.

The Student Loan Problem | RT (interview with Remington Gregg of Public Citizen)

How Betsy DeVos could trigger another financial meltdown | Washington Post (A.J. Angulo)
DeVos has targeted key accreditation policies — those which determine whether colleges and universities meet minimal standards — for reduction or elimination. She is motivated, in part, by her belief that for-profit colleges and universities did not receive a fair shake under the previous administration. Staying the present course charted by DeVos will expose taxpayers to moral hazards not seen since the financial crisis. With more than $1.3 trillion in student debt sloshing around in the economy, the last thing we need is to deregulate or experiment with "innovative" accreditation practices.

The Trump administration's scandalous handling of student loans | Washington Post (Helaine Olen)
Monday's resignation of Seth Frotman, the Consumer Financial Protection Bureau's student loan ombudsman, should be a scandal of the first order. In an incendiary letter, Frotman claims the bureau's political appointees are "undercutting enforcement of the law," ending effective oversight of the student loan industry. He alleges "current leadership" suppressed a staff report documenting "the nation's largest banks were ripping off students on campuses across the country by saddling them with legally dubious account fees..."

Ever since President Trump installed his Office of Management and Budget head Mick Mulvaney — a longtime foe of the agency — as acting director, the CFPB has either stopped or downsized investigations into all sorts of financial-sector misbehavior, ranging from payday loans to discriminatory auto lending policies. Almost no one expects things to change if, as expected, the full Senate approves Kathy Kraninger as the CFPB's new director… She is… mainly distinguished by her pedigree as a good Republican soldier, helping carry out the Trump administration’s policy of separating migrant children from their parents at the U.S. border.

[DeVos misrepresents the evidence in seeking gainful employment deregulation](#) **| Urban Institute (Sandy Baum)**
n its move to dismantle the regulation, the administration cites a paper on manageable student debt levels I co-authored with Saul Schwartz in 2008 that raises questions about the 8 percent threshold. In the notice of proposed rulemaking, the Department of Education claims that "We base our proposal to rescind the GE regulations on a number of findings, including research results that undermine the validity of using the regulations' debt-to-earnings (D/E) rates measure to determine continuing eligibility for title IV participation."

They are correct that we were skeptical of this standard for determining affordable payments for individual borrowers, but incorrect in using that skepticism to defend repealing the rule. In fact, our examination of a range of evidence about reasonable debt burdens for students would best be interpreted as supporting a stricter standard.

See AFR comment letter on borrower defense proposal.

The DeVos School for the Promotion of Student Debt | NY Times (editorial)
Say this for Betsy DeVos: The secretary of education has shown an impressive commitment to rescuing her friends in the for-profit college business from pesky measures to rein in their predatory behavior...

Ms. DeVos's plan to ax the gainful employment rules was entered into the Federal Register on Aug. 14, officially starting the 30-day period open to public comment on the proposed changes.

Barring an unforeseen twist, executives in the for-profit education industry will soon be sleeping better, secure in the knowledge that even the worst are no longer at risk of being thrown off their taxpayer-backed gravy train, no matter how epically they fail their students.

DeVos's Gainful Deregulation | Wall St. Journal (editorial)

For-Profit Colleges Have Allies Now, but Complaints Persist | Associated Press
A lawsuit against Ashford University describes an admissions office with a cutthroat sales culture more akin to a used-car lot than a place of higher learning, peddling "false promises and faulty information" to lure students eligible for federal financial aid. Sound familiar? The allegations in the lawsuit filed by California's attorney general are strikingly similar to past complaints against now-defunct for-profit chains that spurred sweeping regulation by the Obama administration. And they're being echoed today in other lawsuits, complaints and ongoing government scrutiny of for-profits even as Education Secretary Betsy DeVos engineers her own seismic shift in the regulatory landscape that stands to benefit the multibillion-dollar industry. The changes, according to DeVos' critics, will weaken protections for students who claimed they were defrauded by their schools.

Shady Industry Finds New Way to Charge Student Borrowers | NerdWallet
Student debt companies, which say they will reduce or eliminate your loans for a fee, have flourished for years by making false promises to struggling borrowers.

Consumers can fight back by halting payments to the debt company and seeking legitimate help. But that's not easy with the latest twist because a third party is involved. Instead of being asked to pay fees to the debt company, borrowers say they unwittingly take out a loan from Equitable Acceptance Corp., a Minnesota-based company currently under investigation by the Federal Trade Commission.

The new loan, which is in addition to the student loan, covers the upfront and other fees charged by the original debt adjustment company. Upfront fees are illegal in some states. Debt companies avoid those restrictions by converting fees into loans.

Defrauded Students Still Fight For-Profit Schools as DeVos Weakens Regulations | Talking Points Memo
Education Department documents obtained by The Associated Press through an open-records records request show that students filed nearly 24,000 federal fraud complaints between President Donald Trump's Jan. 20, 2017, inauguration and April 30 this year, almost entirely against for-profit colleges. More than 3,600 were lodged against DeVry University, while the University of Phoenix drew 1,100.

Separately, the Federal Trade Commission is investigating the University of Phoenix chain for possible deceptive or unfair business practices, a probe that began under the Obama administration.

And the Department of Veterans Affairs is in an extraordinary dispute with Ashford over the school's eligibility to receive federal GI Bill funding, which many military veterans use to pay tuition.

SYSTEMIC RISK

Hiding in Plain View: Why economists can't see the obvious coming | FinanceWatch
Ten years after the crisis, the Australian economist Steve Keen, who has recently joined Finance Watch as an individual member, calls his mainstream counterparts to account for (still) ignoring the very obvious causes of financial crises. He shows that those obvious causes are unfolding now, not at a global level but in the many countries that side-stepped the crisis in 2008 by continuing to accumulate more private debt. His own profession, as he concludes, should have showed us how to avoid economic and financial crises, but has instead encouraged us into them.

TAXATION

Trump's Tax Cut Hasn't Done Anything for Workers | Bloomberg (Noah Smith)

Treasury Issues Crackdown on State and Local Tax Workarounds | NY Times

OTHER TOPICS

Warren to propose sweeping crackdown on lobbying | Politico
The bill, which will give Warren a fresh opening to pummel President Donald Trump for failing to fulfill his pledge to "drain the swamp," is the latest in a series of ambitious policy proposals that the Massachusetts Democrat has been floating, fueling speculation that she is gearing up for a 2020 presidential run.

Like a bill she introduced last week to impose new restrictions on the executives and boards of large companies, the lobbying legislation will put pressure on other Democrats to hew closer to Warren's anti-Wall Street message...

In addition to a lifetime lobbying ban on the president, members of Congress, Cabinet secretaries and judges, the legislation would ban other federal employees from lobbying their former offices for at least two years. Current lobbyists would also be prohibited from taking government jobs for at least two years.

Political power and the racial wealth gap | Vox (Ezra Klein podcast)