AFR Americans for Financial Reform

This Week in Wall Street Reform | July 28 — Aug. 4, 2017

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TRUMP ADMINISTRATION AND WALL STREET

Trump’s Plan to Slash Post-Crisis Rules Puts America at Risk | Business Insider (Pedro Nicolaci da Costa)
Stephen Cecchetti and Kim Schoenhotz know a thing or two about banking. Cecchetti, a professor at Brandeis University, is a former top advisor to the Bank for International Settlements. Schoenholtz was Citigroup’s chief global economist from 1997 through 2005. Here’s what they have to say in a new paper about the Treasury’s new proposal to gut financial regulations aimed at protecting consumers and preventing another Wall Street meltdown. "When considering the largest banks, adopting the Treasury’s recommendations would make the financial system less safe," they write in VoxEU. "And it would do so with little prospect for boosting economic growth."

Senate Confirms Treasury, CFTC, HUD Nominees | Politico Pro
Nominees confirmed by voice vote include David Malpass as Treasury undersecretary for international affairs; David Kautter as Treasury assistant secretary for tax policy; Chris Campbell as Treasury assistant secretary for financial institutions; Brent McIntosh as Treasury general counsel; Andrew Maloney as Treasury deputy undersecretary; J. Christopher Giancarlo as CFTC chairman; Brian Quintenz as CFTC commissioner; Rostin Behnam as CFTC commissioner; Neal Rackleff as HUD assistant secretary; Anna Farias as HUD assistant secretary.

CFPB AND CONSUMER FINANCE

Lewandowski: Trump Should Fire CFPB Head Richard Cordray | Media-ite

Trump Loyalist Mixes Businesses and Access at ‘Advisory’ Firm | NY Times
Three months ago, Corey Lewandowski, President Trump’s first campaign manager, quit a new Washington lobbying firm he had helped start after the election, amid scrutiny over his firm’s clients and his extraordinary access to Mr. Trump. But Mr. Lewandowski’s departure from the influence business did not last long. About a week after leaving his old firm, Mr. Lewandowski started a new consulting business, according to corporate filings. And now, as he takes on an increasingly broad role as an unofficial White House adviser, he is building a roster of clients with major interests before the Trump administration, including an Ohio-based payday lender seeking to block or overturn new federal financial regulations.

Corey Lewandowski denies relationship with payday lender | Washington Examiner
But in a session with reporters after the City Club of Cleveland event, Lewandowski denied having a current relationship with Community Choice.

He acknowledged that the payday lender was a client of his previous firm, Avenue Strategies, but said a draft contract between Community Choice and his new firm, Lewandowski Strategic Advisors, was never executed.

Corey Lewandowski at City Club says he doesn't 'make a dime' off payday lender | Cleveland Plain-Dealer

Lewandowski avoids answering about payday lender | Associated Press
A woman attending a Lewandowski speech in Cleveland asked him "yes or no" about being paid by Ohio-based Community Choice Financial.

Lewandowski isn't directly answering, but says he "doesn't make a dime" whether the head of the Consumer Financial Protection Bureau loses his job.

Swamp Swatch: Corey Lewandowski Is Lobbying Again | Media-Ite

Trump Advisor Calling for Cordray's Firing Lobbied for Payday Lenders | CU Times

Wells Fargo Forced Unwanted Auto Insurance on Borrowers | NY Times
More than 800,000 people who took out car loans from Wells Fargo were charged for auto insurance they did not need, and some of them are still paying for it, according to an internal report prepared for the bank's executives. The expense of the unneeded insurance, which covered collision damage, pushed roughly 274,000 Wells Fargo customers into delinquency and resulted in almost 25,000 wrongful vehicle repossessions, according to the 60-page report, which was obtained by The New York Times. Among the Wells Fargo customers hurt by the practice were military service members on active duty.

Wells Fargo, one of the largest banks in the United States, is struggling to repair its image after a scandal in which its employees created millions of credit card and bank accounts that customers had never requested. That crisis, which came to a head last year, toppled Wells Fargo's chief executive and led to millions of dollars in fines. The bank also stands accused of having made improper adjustments to the terms of the home loans of customers who were in bankruptcy, which Wells Fargo denies.

N.Y. Regulator Subpoenas Wells Fargo over Unwanted Auto Insurance | Reuters
New York state's banking and insurance regulator has issued subpoenas to two Wells Fargo & Co units after the bank admitted to charging several hundred thousand borrowers for auto insurance they did not ask for or need, causing many delinquencies.

NY Regulator Sends Subpoenas to Wells over Auto Insurance | Politico Pro

Dems Use Wells Scandals to Call for Hearings, Defend CFPB Arbitration Rule | American Banker

See House Financial Services Committee Democrats' **statement** calling for a hearing, and Senate Banking Committee Democrats' **statement** calling on Wells Fargo CEO and Chair to testify.

Wells Fargo Says It May Find 'Significantly' More Fake Accounts | Bloomberg
Wells Fargo & Co., reeling from a scandal over fake accounts that erupted in September, said it's expanding a review that could lead to the bank finding "significantly" more cases. The bank's "reasonably possible" legal charges could surpass its reserves by $3.3 billion as of June 30, up from an estimate of $2 billion at the end of March, the San Francisco-based lender said in a regulatory filing Friday. The company also disclosed a new investigation into a separate matter by the Consumer Financial Protection Bureau.

Wells Fargo to Pay U.S. $108 Million over Veterans' Loans | Reuters
Wells Fargo & Co. will pay the U.S. government $108 million to settle a whistleblower lawsuit claiming it charged military veterans hidden fees to refinance their mortgages, and concealed the fees when applying for federal loan guarantees. The third-largest U.S. bank on Friday said the accord resolved claims that its Interest Rate Reduction Refinance Loans should have been ineligible for guarantees under a U.S. Department of Veterans Affairs loan guaranty program. Such claims were raised in a lawsuit filed in 2006 and made public in 2011, in which Georgia mortgage brokers Victor Bibby and Brian Donnelly sought reimbursement for losses that the government suffered on guaranteed loans that went into default.

Wells shares fall on warnings of 'significant increase' in unauthorized accounts | American Banker

New Wells Scandal Harms Effort to Nix CFPB Arbitration Rule | American Banker
Republican efforts to repeal the Consumer Financial Protection Bureau's arbitration rule were dealt a significant blow Friday by Wells Fargo's admission that it improperly forced borrowers to pay for unnecessary auto insurance policies. Some of Wells' auto loan contracts contain arbitration clauses, a spokesman said, which could become a further lightening rod in the ongoing dispute over whether customers should be allowed to band together in class action lawsuits.

The CFPB released a final arbitration rule earlier this month that prohibits financial firms from forcing consumers to arbitrate disputes. The House has passed a measure under the Congressional Review Act that would reverse the rule, but its prospects in the Senate remain unclear. The new Wells scandal hurts those chances further, according to analysts.

Prospects Dim for Senate Vote on CFPB Arbitration Rule This Month | Morning Consult
The Senate looks unlikely to vote this month on a resolution to block implementation of the Consumer Financial Protection Bureau's recently finalized rule on mandatory arbitration clauses in financial consumer contracts. Majority Leader Mitch McConnell (R-Ky.) on Tuesday did not mention the measure in a floor speech outlining the chamber's agenda for the next two weeks leading up to August recess. A Senate GOP aide said that supporters of the resolution do not have the votes needed to proceed on the floor, given the absence of Sen. John McCain (R-Ariz.), who has returned to Arizona to receive medical treatment for brain cancer.

[Repealing the Arbitration Rule](#) | **Wall St. Journal (editorial)**
Most claims can't be litigated on a class basis—though trial attorneys try—and arbitration provides an affordable and expeditious alternative. Companies typically pick up most if not all of the filing, administrative and arbitrator costs. Consumers usually obtain relief within two months, while class actions typically take years to resolve.

The rule would cause many firms to stop using arbitration since they would have to spend more defending class actions. The CFPB estimates that financial companies would spend between $2.62 billion and $5.23 billion over the next five years—much of which would go to attorneys—to defend some 6,000 class actions.

[Arbitration Rule Saves Consumers From Big Banks](#) | **Wall St. Journal (Sherrod Brown)**
Don't be fooled by the carefully selected statistics in "Repealing the Arbitration Rule" (Review & Outlook, July 26). Ohioans who have been ripped off by big banks and payday lenders don't see the arbitration rule through a partisan lens. One cheated customer alone hardly stands a chance against the army of lawyers employed by banks. But when millions of customers come together, it's a much fairer fight. After two congressional hearings and many bad headlines, Wells Fargo may be cutting a deal. But it's still using forced-arbitration clauses to prevent customers from seeking justice on their own terms.

[Congress Should Jump at Chance to Side with Consumers](#) | **Chicago Sun-Times (editorial)**
Fine print has never been the friend of consumers, and in recent years the perils have escalated as financial institutions have drawn up clauses that deny customers effective redress in disputes. To counteract that, the Consumer Finance Protection Bureau drew up a rule to prevent banks and other financial companies from forcing customers with disputes to go to arbitration, a one-sided process that often costs more than the amount in dispute. But the U.S. House has voted along party lines to repeal the rule, and it is unclear whether Senate Republicans will follow suit. They shouldn't. Too many people have been victims of financial schemes. They need more protection, not less.

[Alaskans Harmed by Financial Misconduct Deserve Remedies](#) | **Fairbanks Daily News-Miner (Goriune Dudukgian)**
A new rule will restore Alaskans' rights in court when they are harmed by financial misconduct — such as the Wells Fargo scandal that resulted in 5,970 or more fake accounts in Alaska and millions across the country.

[Marine Corps Vet Disagrees with Sen. Tom Cotton](#) | **Northwest Arkansas Democrat Gazette (Robert Mitchell)**
I am a proud Marine Corps veteran. Abroad I joined with my fellow Marines in united pursuit of justice and rights. At home, I fight for them and other U.S. military members to be treated fairly and with dignity in their financial affairs. I'm disappointed by the actions of my U.S. Sen. Tom Cotton, who is seeking to roll back a recent rule that restores service members' and other Americans' legal rights in the financial marketplace.

The nonnegotiable fine-print contracts of the industry players make it harder every day to help service members and veterans enforce their rights when they are wronged. Corporations also tell their own customers that they can't band together against them in class actions. Instead, individuals must go to a secretive process called arbitration, run by a private arbitrator who makes the decisions and likely receives repeat business from the big corporations. It is as unfair as it seems.

New U.S. Rule on Class Actions Survives First Challenge | NY Times
Acting U.S. Comptroller of the Currency Keith Noreika publicly argued with CFPB Director Richard Cordray, appointed by former President Barack Obama, a Democrat, over whether the rule could endanger the banking system. Many had expected Noreika to ask colleagues on the Financial Stability Oversight Council consisting of the country's chief financial regulators to stay the rule. But in Monday's statement he said he was unable to complete a thorough review of the rule in time to make a petition.

Supporters of the rule say citizens are entitled to a day in court and companies often hire the arbitrators, rigging the process against the customers. They also say public proceedings are effective at ending bad corporate behavior. "The rule is a well thought-out response to the serious consumer harm of forced arbitration," said Brian Marshall, policy counsel for advocacy group **Americans for Financial Reform**.

Noreika Doesn't Petition to Delay CFPB Arbitration Rule, Hopes Congress Will Act | Politico Pro

Forced Arbitration is a Loser | Alaska Dispatch News (Frank Cahill)
Buried in the fine print of most financial service contracts, (including but not limited to your credit card agreement) lies a "ripoff" clause known as forced arbitration. Signing the contract means you forfeit your right to a day in court should a dispute with your bank or lender arise. Instead, you are forced into a secretive system where the arbitrator need not follow the facts or the law, and there is no appeal. You have no choice to remove this clause; if you want the credit card, you get stuck with it.

The Consumer Financial Protection Bureau issued a rule to restore our right to use class actions and to lift the veil of secrecy from forced arbitration. Congress is considering a law to preclude this rule. Sens. Lisa Murkowski and Dan Sullivan should help ordinary Alaskans by supporting this strong rule to restore our day in court.

Forced Arbitration Benefits Wall Street Giants, Not Consumers | Pittsbugh Post-Gazette (Michael Roles)
Certain elected members of Congress from Pennsylvania have landed a punch on the nose of Americans who need economic relief. And they're doing it on behalf of the big Wall Street banks that gave us a financial crisis and a searing recession, to boot. Sen. Pat Toomey, R-Pa., and Rep. Keith Rothfus, R-Sewickley, want to tear down a common-sense rule that simply restores to American consumers the basic right to have their day in court against corporations that defraud them. The House approved the rollback plan two weeks ago; the Senate timetable is not set.

Will Trump Preserve the Secret Courts Banks Use to Dodge Their Customers' Complaints? | QZ
In a summer not wracked by political disarray and global conflict, Washington might be focused on the billion-dollar battle brewing between the Consumer Financial Protection Bureau and the financial industry. Typically, when Americans sign up for a credit card or other financial product, they give up their right to bring their banker to court for breaking the contract, often without even realizing it. Instead, they sign fine print agreeing to settle any disputes in what is called "forced arbitration," a legal procedure where independent attorneys, often hired by financial institutions, resolve disputes, rather than a public court. There are only limited avenues for appeal, and the process is entirely secret.

On People's Right to Sue, Trump's Hypocrisy Matches That of Businesses | LA Times (David Lazarus)
President Trump has been party to nearly 4,100 lawsuits over the last three decades. About half the time he was the one doing the suing; the other half he was the one being sued. But what makes Trump a complete hypocrite on this score — and aligns him with the business world — is that although he's never hesitated to use the legal system to protect his own interests, he's denied his employees and campaign workers the same right, requiring instead that they take any disputes to private arbitration.

Scott Co-sponsors Measure to Overturn CFPB Anti-arbitration Rule | Palmetto Business Daily
Following a U.S. House vote last week, the U.S. Senate is in a position to pass a measure overturning the Consumer Financial Protection Bureau's (CFPB) rule to prohibit class-action waivers in virtually all financial consumer-service agreements. The CFPB announced the rule in early July and the House voted last week to overturn it. Sen. Tim Scott (R-SC), a co-sponsor of the U.S. Senate measure to scrap the rule, said the CFPB has time and time again overreached and hurt consumers.

Congressman Wants Cordray Investigated Over Political Activity Ban | Cleveland.com
House Financial Services Committee Chair Jeb Hensarling, a longtime GOP critic of Cordray, asked U.S. Acting Special Counsel Adam Miles on Friday to review whether Cordray violated the Hatch Act, which prohibits executive-branch employees from engaging in political activity. In a letter to Miles, Hensarling pointed to media reports that Ohio Supreme Court Justice Bill O'Neill was contacted by an unnamed mutual friend of Cordray's earlier this month stating that Cordray is planning to run for governor and asking whether O'Neill would remain out of the Democratic gubernatorial primary.

CFPB Takes Aim at Overdraft Fees | Politico Pro
The Consumer Financial Protection Bureau is testing new forms to help consumers evaluate the costs and risks of overdraft protection as it considers new rules on the practice. The one-page prototypes, published today on the agency's website, are meant to be simple to understand and to clearly disclose fees. Americans pay an estimated $15 billion a year in overdraft fees, which are levied when a consumer lacks the funds to cover a withdrawal or purchase but their bank or credit union processes the transaction anyway, in exchange for a fee. Frequently, that fee is more than the amount of the transaction, CFPB Director Richard Cordray said.

Banks Still Make $15 Billion Each Year In Overdraft Fees | Buzzfeed
The billions banks still rake in show either that existing rules are not doing enough to inform consumers of their options or that there remains a large market for allowing overdrafts with very high fees.

The bureau is at the early stages of working on new rules for overdraft fees and has released prototypes for new disclosure forms based on research done with consumers. "These disclosure prototypes, if adopted, would be intended to help people make more informed choices as to whether they wish to be subject to debit card and ATM overdraft fees," the CFPB's director Richard Cordray said on a call with reporters.

Overdraft Fees Should Not Cost You A Bundle Just Because You're Broke | Miami Herald (Rebecca Borné)
Which bank fees cost Americans more money each year than they spend on eggs, on baby clothes, or

on books, newspapers and magazines combined? Overdraft fees on family and personal checking accounts, to the tune of $14 billion annually. Financial institutions charge large fees when a customer's checking account doesn't have enough money for a purchase but the bank pays the transaction anyway. Instead of declining the transaction, the bank often "covers" the amount and adds a fee, typically as high as $35. This practice is particularly egregious on debit card transactions, which the bank could easily decline at the point of sale, which would result in the consumer's paying no fee at all.

Thanks to a number of lawsuits dating back to at least 2009, it became clear that many banks sought to increase overdraft revenue by manipulating the sequence in which withdrawals were taken from their customers' accounts. By reordering the purchases from highest to lowest, banks maximized overdraft penalties and generated grossly excessive fees from the accounts of some of their most vulnerable customers.

Late Credit Card Payments Stoke Fears for Banks | Wall St. Journal
Credit-card losses are mounting, a reversal from a six-year trend that could be a warning sign for markets and the broader economy. The average net charge-off rate for large U.S. card issuers—the percentage of outstanding debt that issuers write off as a loss—increased to 3.29% in the second quarter, its highest level in four years, according to Fitch Ratings. The quarter was also the fifth consecutive period of year-over-year increases in the closely watched rate.

All eight large issuers, including J.P. Morgan Chase & Co., Citigroup Inc., Capital One Financial Corp. and Discover Financial Services, had increases for the quarter. The trend, which accelerated in the first half of this year, has started to suppress bank earnings. If consumers' budgets get more stretched, a pullback in spending could pressure both growth and corporate profits.

Acting comptroller sees fintech charter as tool for community banks | Politico Pro
Noreika said he viewed his agency's fintech charter, which state regulators have legally challenged and some community bankers have criticized, as a way to level the playing field between large and small banks. The charter would increase oversight of startups, taking community banks off the hook for ensuring their compliance under third-party partner regulatory rules.

How Can We Fix Our Broken Economy? | Care
According to the **Americans for Financial Reform**, the U.S. banking industry spent record amounts on lobbying in the recent presidential election. Increased rules on lobbyists could help curb their influence. Some states even bar governments from putting deposits in credit unions, explains [New Economy Project co-director Deyanira] Del Rio. In the meantime, public banks could allow cities to divest from banks that aren't serving their communities well.

See the Center for Responsible Lending's **report** on Payday Lending in Communities of Color

EXECUTIVE COMPENSATION

A Better Way to Reward CEOs | Wall St. Journal
What happened in America that so much is now lavished on the executive class? And does it matter? To the second question Steven Clifford, a former chief executive at King Broadcasting and now the author of "The CEO Pay Machine," responds with an emphatic "yes." The outsize income, he thinks, feeds inequality and mistrust in our democracy. He argues that a system of compensation has

emerged over the past four decades that rewards mediocre executives by stiffing shareholders, employees and society at large.

Mr. Clifford's answer to the CEO pay machine, though, is a compelling one: a simple combination of salary and restricted stock. "No pay for specific performance, no short-term bonus, no stock options." If company boards had the guts to implement his idea, it would bring much needed clarity and integrity to an invidious system.

How "Shareholder Value" is Killing Innovation Institute for New Economic Thinking (William Lazonick)
The insignificance of the stock market as a source of real investment capital exposes as fallacious the fundamental assumptions of the prevailing ideology that, for the sake of economic efficiency, a business corporation should be run to "maximize shareholder value" (MSV). As a rule, public shareholders do not invest in a corporation's productive capabilities; they simply buy shares outstanding on the market, hoping to extract value that they have played no role in helping to create. And in practice, MSV advocates modes of corporate resource allocation that undermine innovative enterprise and result in unstable employment, inequitable incomes, and sagging productivity.

The most obvious manifestations of the corporate misbehavior that MSV incentivizes are the lavish, stock-based incomes of top corporate executives and the massive distributions of corporate cash to shareholders in the form of stock buybacks, coming on top of already-ample dividends. Indeed, with stock-based pay incentivizing senior executives to do stock buybacks—i.e., having a company repurchase its own shares to give manipulative boosts to its stock price—over the past three decades the stock market has had a negative cash function. On the whole, U.S. business corporations fund the stock market, not vice versa.

FEDERAL RESERVE

Fed Up, Vocal Central Bank Critic, Calls for Yellen's Reappointment | Politico Pro
A progressive group that frequently criticizes the Federal Reserve wants to see Chair Janet Yellen stick around. Fed Up, a coalition of community groups, unions and policy experts, today released a report arguing that Fed policies piloted by Yellen helped make the Great Recession shorter than it otherwise would have been. "Yellen and the Fed were actively trying to engineer recovery with monetary policy tools while fiscal policymakers were erecting roadblock after roadblock," according to the report, written by the Economic Policy Institute's Josh Bivens and Fed Up campaign manager Jordan Haedtler.

Fed Proposes Narrowing Supervisory Expectations for Bank Boards | Politico Pro
The Federal Reserve today proposed scrapping some of the supervisory expectations for boards of directors at banks to make sure they have more time to focus on their core responsibilities. The proposed guidance identifies the attributes of effective boards, such as "setting a clear and consistent strategic direction for the firm as a whole, supporting independent risk management, and holding the management of the firm accountable," the central bank said in a press release. It also clarifies that when supervisors identify problems that need to be corrected, those issues should be taken up with the firm's senior management most of the time, rather than the board of directors. It identifies existing supervisory expectations that could be revised or eliminated entirely.

INVESTOR PROTECTION AND THE SEC

How Credit Raters Ducked Reform | Bloomberg
An SEC report last December read like something right out of the crisis. Without naming specific companies, it exposed basic errors and conflicts of interest in the rating of asset-backed securities (bonds backed by collateral such as car loans or mortgages). It pointed to continuing breaches of internal firewalls between various parts of the ratings business. These echoes of crisis-era lapses suggest that two big problems haven't gone away: the deep-rooted practice of issuers shopping around for ratings and the systemic risk posed by the dominance of the Big Three.

The issuer-pays model remains an incentive for raters to go easy on clients, says Marcus Stanley, policy director at **Americans for Financial Reform** in Washington, an activist group. "As long as ratings agencies are both central to securities markets and face incentives to inflate ratings and mislead investors, they pose a risk to the financial system," he says.

Warner Calls on Clayton to Provide Details on Compliance with Reg SCI | Politico Pro
Sen. Mark Warner (D-Va.) today urged SEC Chairman Jay Clayton to make public which key stock market participants are complying with the agency's regulation aimed at preventing glitches. The rule, known as Regulation Systems Compliance and Integrity, or "Reg SCI," was aimed at holding companies accountable for stock market disruptions like the "flash crash" of 2010 and the trouble experienced during Facebook's initial public offering in 2012. It requires firms to report cyber intrusions and take other precautionary measures. "Reg SCI was intended to strengthen the technology infrastructure of the U.S. securities markets by reducing the occurrence of systems issues, particularly following several high-profile outages that had the potential to cause considerable harm to investor confidence," Warner wrote in a letter Tuesday.

MORTGAGES AND HOUSING

"Honey, You've Been Scammed" -- She Lost Her Home of 30 Years | Washington Post
Barbara Barkley is 4 foot 10. So she designed her home in Chesapeake, Va., just for herself, with all the counters and handles lowered. "I planned to live there until I died," the 68-year-old said. Instead, she is renting a place from a relative in North Carolina. She lost her house and her savings to a group of California scam artists who stole $11 million from thousands of struggling homeowners looking for help with their mortgages. The ringleader, Sammy Araya, 42, was sentenced in federal court in Alexandria this month to 20 years in prison. Eleven others got sentences ranging from five to 18 years.

The scam began in 2011 when Araya's group started sending out mailers and put up Internet ads promising mortgage modifications under an Obama administration program meant to stem fallout from the housing crisis. The program was real, but the offers were not. Homeowners were directed to send a cash "reinstatement" fee and then monthly "trial payments" for their new monthly mortgage.

Freddie Mac Will Send $2B to Treasury | Politico Pro
Freddie Mac reported net income of $1.7 billion in the second three months of this year and will send a $2 billion payment to taxpayers. The payment will bring Freddie's total remittances to the government to $108.2 billion, nearly $37 billion more than the bailouts the mortgage giant received after the housing collapse. Combined, Freddie and its larger competitor, Fannie Mae, have sent $272.9 billion to taxpayers so far.

Bipartisan Senate Bill Asks Fannie and Freddie to Use Alternative Credit Scores | MarketWatch
A new bill in the Senate would require Freddie Mac and Fannie Mae to embrace alternative credit scoring models, which could expand Americans' ability to buy homes. The bill, which is co-sponsored by Sens. Tim Scott (R-S.C.) and Mark Warner (D-Va.), would direct the mortgage giants to create procedures that would allow them to consider credit scores other than the traditional FICO score when making the decision to purchase a residential loan. Such a change would allow lenders to use alternative credit scores, such as the VantageScore or FICO Score XD, when determining whether consumers are fit to receive a loan.

Trump Administration Weighs Halving Popular Homeowner Tax Benefit | Politico Pro
A tax break popular with homeowners and the real estate industry could take a hit as Republicans look for ways to pay for their tax reform plan. Despite promises from the Trump administration in April that it would "protect the homeownership ... deductions," multiple sources tracking tax reform said that the cap on the mortgage interest deduction — currently set at the interest on up to $1 million of mortgage debt — could be lowered in tax reform. That would be a slap in the face to an industry that strongly supported President Donald Trump during his presidential bid: He overwhelmingly won a straw poll by the National Association of Realtors during its annual meeting last year.

REGULATION IN GENERAL

Congress Should Crack Down on Predatory 'Pyramid Schemes', Not Look Away | The Hill (Terrell McSweeney)
Congress this summer is considering whether to pass legislation that would fundamentally damage the ability of the Federal Trade Commission to protect consumers from pyramid schemes. As one of the commissioners of the FTC, I have a much different view. Americans lose millions of dollars to certain deceptive, unfair, and illegal multi-level marketing (MLM) opportunities each year. These deceptive and unfair schemes have affected people across America and, in many tragic cases, have ripped away a family's entire life savings.

RETIREMENT INVESTMENT AND DOL FIDUCIARY RULE

How the U.S. Government is Making it Harder to Retire | CBS News
Tens of millions of Americans have set little money aside for retirement, battered in recent decades by one financial crisis after another and adrift in an economy that has gradually shifted the burden of saving almost entirely on employees. Now they can point to another impediment: The U.S. government.

In only the most recent example of actions by Washington that hinder saving, the Treasury Department last week moved to cancel the myRA program, a "starter" retirement account that came into existence barely two years ago. Earlier this year, meanwhile, Congress rolled back a rule that made it easier for states to create their own publicly run retirement accounts. Some experts also worry that a new Labor Department rule that requires financial advisers to act in their customers' best interest is on the chopping block. "The government's action is indicative of a general antipathy to any government involvement in solving the pension crisis," said Anthony Webb, research director at the New School's Retirement Equity Lab.

Fiduciary Rule will Top Agenda for New Head of SEC's Division of Investment Management | Investment News

Fiduciary Rule May Not Be Fully Implemented Until 2019 | Financial Planning
Full implementation of the fiduciary rule may be delayed until 2019, according to an expert in ERISA law. Although the current transition period for advisors to fully comply with the rule, which went into effect June 9, Bruce Ashton, an ERISA specialist and attorney for Drinker Biddle in Los Angeles, said he expects the Department of Labor to extend the transition timeframe past the end of the year. “The department will most likely look at modifications, which have to go through the regulatory process,” Ashton said, speaking as a panelist on Financial Planning’s webinar, “Fiduciary Rule Best Practices.”

Stifel CEO Offers Compromise on Fiduciary Rule | St. Louis Post-Dispatch
While brokerage firms scurry to comply with the U.S. Department of Labor’s new fiduciary rule, industry groups are still trying to stop it. They’ve filed lawsuits and lobbied Congress in hopes of derailing the rule before it takes full effect in January. Ron Kruszewski wants to suggest a third way. The Stifel Financial chief executive is no fan of the fiduciary rule — in fact, he thinks it will do great harm to America’s capital markets — but he acknowledges that investors are clamoring for more protection.

Kruszewski’s proposal centers on an “impartial conduct standard” that’s built into the fiduciary rule. It requires all retirement advisers to act prudently, accept only reasonable fees and disclose any conflicts of interest. An impartial conduct rule wouldn’t be as stringent as the full fiduciary rule, but it would be tougher than the suitability standard that now applies to brokers.

STUDENT LOANS AND FOR-PROFIT SCHOOLS

DeVos’ Student Loan Servicing Overhaul Faces Growing Opposition from Congress | Politico Pro
Education Secretary Betsy DeVos' plan to overhaul how the federal government collects the payments of student loan borrowers is facing mounting resistance on Capitol Hill. A bipartisan group of senators unveiled legislation on Tuesday that would prohibit the Education Department from carrying out DeVos' plan to hire a single company to manage the loans of the nation's more than 32 million federal direct student loan borrowers. The bill — sponsored by Sens. Roy Blunt (R-Mo.), Elizabeth Warren (D-Mass.), James Lankford (R-Okla.) and Jeanne Shaheen (D-N.H.) — would force the department to scrap its current loan servicing plans. The legislation would require the department to continue its current system of "multiple student loan servicers" and allocate borrower accounts to those companies "based on performance."

Trump Administration Scraps Plan to Overhaul Federal Student Loan Servicing | Politico Pro
Education Secretary Betsy DeVos is abandoning her plans to overhaul how the federal government collects payments of student loan borrowers amid growing opposition from congressional Republicans and Democrats. The Education Department announced today that it halted the process of hiring a single company to manage all federal student loan payments — and plans to come up with a "more innovative approach" after gathering feedback from the student loan industry and "various stakeholders." The announcement comes hours after a bipartisan group of senators unveiled legislation that would have blocked the administration's plan.

Trump Team Has Approved 0 Student Loan Debt Relief Claims | The Mercury News
Since President Trump took office, thousands of people who attended demonstrably shady for-profit colleges have applied to have their student loans discharged. But as of this month, the Trump administration has not approved any of the recent claims, known as borrower defense to repayment applications, including 2,605 claims filed by borrowers from California. So thousands of former students are left in limbo. The revelation comes via James Manning, acting under secretary in the U.S. Education Department, who was replying to a series of questions from Senator Dick Durbin, an Illinois Democrat who this week published Manning's early July response.

DeVos Offers a Lifeline to For-Profit Law School That Hired Her Former Adviser | Bloomberg
Early this year, Charlotte School of Law looked ready to collapse. The government had cut off the private equity-backed, for-profit law school's access to federal student loans, determining in a review that it had violated federal law and misled students, allegations the school denied. But for a school that more than nine in 10 students borrow money to attend, the decision had the ring of a death knell.

Until Donald Trump took office. One day before Betsy DeVos was confirmed as secretary of education, Charlotte Law hired the adviser who had just steered her through her confirmation hearings to lobby her agency on its behalf. Lauren Maddox, a lobbyist with the Podesta Group in Washington and a former Education Department spokeswoman, has worked for senior Republicans in Congress.

Veterans Could Regain Education Benefits Through Legislation Introduced by Riverside Rep. Mark Takano | The Press Enterprise

Change in Tide for Charlotte School of Law | POLITICO

SYSTEMIC RISK

Wall Street Regulators Are Set to Rewrite the Volcker Rule | Bloomberg
Wall Street regulators have agreed to rewrite the Volcker Rule, according to three people familiar with the matter, moving to loosen industry-despised restrictions that were central to the U.S. response to the financial crisis. The five agencies that wrote the original limits on banks investing with their own capital have decided to begin working together on a revision, said the people, who requested anonymity because the discussions aren't public. The changes discussed at a closed-door meeting on Friday will likely give big banks more flexibility for handling client trades, as well as investments in private equity and hedge funds.

Noreika Requests Comments on Volcker Changes, Hopes for Proposed Rule 'Soon' | Politico Pro

OTHER TOPICS

U.S. Policy Uncertainty Hurting Investment | Politico Pro (Victoria Guida)
Federal Reserve Vice Chairman Stanley Fischer said today that uncertainty over what the U.S. government will do about health care, taxes and trade has probably hurt business investment. In a speech in Brazil, Fischer said low productivity growth has played a role in holding back investment, because companies see fewer attractive opportunities.

"But elevated uncertainty, both political and economic, has likely also played a role," he said. "For one, uncertainty about the outlook for government policy in health care, regulation, taxes and trade can cause firms to delay projects until the policy environment clarifies."

Study Finds Gender Discrepancy in U.S. Financial Services Discipline Actions | Complinet
Female employees in financial services can be punished more harshly than their male counterparts for similar missteps, according to a study by the Stigler Center for the Center of the Economy and State. They found that a female adviser who commits some form of misconduct -- such as buying stocks for a client without permission, or churning a client's account -- is 50 percent more likely to lose her job than a male adviser who breaks similar rules.

Feds Writing Rule to Encourage Private Sector Investment in Public Transit | The Hill
The Department of Transportation (DOT) is writing a new rule aimed at encouraging more private sector investment in public transportation projects. The DOT's Federal Transit Administration (FTA) issued a notice of proposed rulemaking on Monday that would allow public transit projects to streamline some steps in the regulatory or permit approval process if they prove that it will attract more private investors.

Speeding up the project approval process has been a top priority for the Trump administration and is expected to be included in the president's $1 trillion infrastructure package. The White House has said that the effort will help spur more public-private partnerships. Under the new proposed system, public transportation projects could request a waiver or modification to FTA "regulations, practices, procedures or guidance documents" if the applicant proves that the steps are discouraging private sector involvement. The FTA is accepting public comments on the proposal until Sept. 29.

FDIC Vice Chairman Hoenig: High Bank Payouts Hurting Lending | Politico Pro
FDIC Vice Chairman Tom Hoenig said if the 10 largest U.S. banks decreased share buybacks and dividend payments they might be able to increase lending by as much as $1 trillion. His message was clear: High bank payouts, not high capital requirements, are hurting lending. "Although bank capital is a critical indicator of the health of the financial industry, it continues to be discussed in sound bites rather than substantive public debate," Hoenig wrote in a July 31 letter to Senate Banking Chairman Mike Crapo and ranking member Sherrod Brown. The senators have been working to develop legislation to promote economic growth.