AMERICANS FOR FINANCIAL REFORM

THIS WEEK IN WALL STREET REFORM
DECEMBER 5 – 12, 2014

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Furor Over Move to Aid Big Banks in Funding Bill
Jonathan Weisman, NY Times, 12/11/14
In a 1,600-page, $1.1 trillion spending bill, a provision to roll back an obscure financial regulation became a focal point of uproar as Congress struggled to keep the government funded.

The "push-out" regulation — a measure to ensure that banks trade their riskiest financial instruments without the protection of the Federal Deposit Insurance Corporation or the Federal Reserve's backup — was controversial from the start. Hundreds of billions of taxpayer dollars were shoveled into Wall Street banks after instruments like credit default swaps became worthless in the financial crisis, but even some crucial Democrats were unsure if Congress went too far when it voted to include push-out in the landmark Dodd-Frank law to regulate Wall Street in 2010.

No, Wall Street Didn't Win In DC This Week
CNBC.com 12/12/14
Conventional wisdom has it that Wall Street won a big victory in Washington by getting derivatives language it wanted into the year-end "cromnibus" spending bill. Conventional wisdom is wrong.

In the very short term, of course, this is a conventional "win" for banks. But think about the cost and the pain to get it... Wall Street needed a giant, must-pass spending bill to ram through a somewhat uncontroversial change they've been working on for half a decade. And they did it at huge cost.

The energized progressive left, led by Massachusetts Sen. Elizabeth Warren, nearly stopped the cromnibus in the House, requiring a last-minute flurry of lobbying by the White House, Dimon and other supporters of the bill. The near-death experience of the cromnibus shows how power in the Democratic Party is leaching away from centrist, pro-Wall Street types and toward populists who will fight anything that smacks of bank favoritism tooth and nail.

In fact, Wall Street loses this one by winning… And the idea that this is the first crack in the Dodd-Frank wall that will lead to further rollbacks when the GOP takes total control of Congress is probably also wrong. President Barack Obama is now hemorrhaging support on the left from Democrats who feel sold out over the swaps provision. He's not likely to want to further alienate people by cutting deals with the next Congress that include signing bills with stuff he wants that also curtail parts of Dodd-Frank.

Wall Street Giveaway Threatens Possible Shutdown
Rachel Maddow, MSNBC, 12/10/14
After the financial crisis, Congress passed something called Dodd-Frank – a set of regulations designed to keep anything like what happened to the economy in 2008 from happening again.

One of those regulations said to the banks, 'Hey, you know those incredibly risky trades you were doing that almost made the economy implode – oh, that did make the economy implode – the federal government is not going to ensure those trades anymore. You can do them yourself if you want, but they`re not going to be insured by the taxpayers. You have to keep those separate from the rest of your business.'

House Republicans in the big budget bill they released last night decided to take that rule change away. They decided to tell the banks that, 'Yes, the American taxpayers would be happy to once again underwrite that kind of high risk trading. Taxpayers would love to be on the hook for that again.'

[A]s Sen. Elizabeth Warren (D-Mass.) noted on the show," [T]his was a provision that was written by Citigroup lobbyists. I mean, they literally wrote it. They … re-edited it and made sure it said exactly what they wanted it to say."

The Democrats Had a Great Opportunity Here to Define Themselves as a Party
Mark Shields, PBS NewsHour, 12/12/14
They have gone through an election where they'd never had an economic message. And here's a bill presented with the amendment, quite openly written by Citigroup. The four biggest banks in the country handle 93 percent of derivatives. And this is written for them. It's to make their business easier and to provide backup if — in case things still go wrong, that Mr. and Mrs. Taxpayer of this country will bail them out once more under — in the worst possible circumstances…

The Democrats had a chance to break that. Nancy Pelosi stood up on it, and I really think that the White House buckled too soon. I think they had the Republicans very much on the defensive… It ties them very much into the negative public stereotype of the party as too close to big money…

I think this was a crunch question… I think the Republicans were in a terrible position. The more heat, the more light, the more attention that had focused on these two provisions would have put them very much on the defensive…

Can Democrats Win by Losing Wall Street
Phil Mattingly, Bloomberg, 12/12/14
As the spending bill works its way through Congress, one thing is clear: the past few weeks have given Democrats the opportunity to make Wall Street their issue and they have increasingly grabbed onto it with both hands.

In a letter to her colleagues sent out after it first became clear Republicans were having trouble pulling together the support for final passage of the bill, Pelosi noted that even in the minority, the Democratic stance has been an example of the caucus using its leverage. She concluded the letter with a message that might as well apply to everyone watching this new dynamic play out: "Stay tuned."

[We Lost the 'CRomnibus' Fight, But at Least Someone's Fighting]
Richard Eskow, Campaign for America's Future, 12/15/14
"A few more such victories and we are undone," the Greek general Pyrrhus supposedly said. But we're looking at the opposite situation: A few more losses like this, and we might be getting somewhere…

Surprise #1: It was expected that Sen. Warren would put up a fierce and well-fought fight. But she exceeded expectations with the force and clarity of her argument, the power of her leadership, and her willingness to name names. Her December 12 Senate floor speech is a must-watch for dispirited populists everywhere, especially for her willingness to call out both Citigroup (whose lobbyists wrote the bank-giveaway provision in this deal) and the past two Democratic administrations (for the extraordinary number of Citigroup executives they've appointed).

Surprise #2: A number of other Democrats – frankly, far more than we expected – showed up for the fight. We expected senators like Warren, Sherrod Brown (D-Ohio), Bernie Sanders (I-Vt.) and Jeff Merkley (D-Ore.) to make a stand. But so did 18 others, including Sens. Al Franken (D-Minn.), Ron Wyden (D-Ore.), and Kirsten Gillibrand (D-N.Y.). Even Sen. Cory Booker (D-N.J.), who once chastised President Obama for criticizing hedge funds, voted against the "CRomnibus" deal.

In the House, we also expected leaders like Reps. Keith Ellison (D-Minn.), Alan Grayson (D-Fla.) and Raul Grijalva (D-Ariz.) to stand up. But Minority Leader Nancy Pelosi (D-Calif.), perhaps reinvigorated by a newly resurgent populist spirit, fought back, too. She defied the White House, rallied the troops, and nearly carried the day against powerful forces.

Obama's Left-Side Headache
Margaret Talev and Michael Bender, Bloomberg, 12/13/14
From trade to taxes, President Barack Obama is looking for areas to cut deals with the new congressional Republican majority and burnish his legacy. Judging by the budget debate this week, at least one obstacle to bipartisanship will be the progressives in his own party, who will have a more influential voice in a slimmed-down caucus when Congress returns in January.

House Democratic Leader Nancy Pelosi gave the White House palpitations Thursday when she railed against the $1.1 trillion government spending bill that the president supported, delaying the vote for hours and increasing the risk of a second government shutdown in as many years. Obama needed to make personal calls to House Democrats to shore up support, and sent his chief of staff, Denis McDonough, to the Capitol to do the same. The announcement on Friday that Senator Sherrod Brown of Ohio will serve as the top Democrat on the Banking Committee, released in the midst of the spending fight that had been held up by a debate over derivatives, foreshadowed more resistance. The pro-labor senator's news release came complete with statements of support from leaders of credit unions and homeless and housing advocates, rather than Wall Street titans.

Blowback was coming from the outside, too. **Americans for Financial Reform**–a liberal advocacy group–was the first to alert Pelosi's office to a provision in the spending measure that loosened a banking regulation imposed by the 2010 Dodd-Frank financial reform law. That sparked an anti-Wall Street narrative and led to other liberal groups, like Progressive Change Campaign Committee, asking their members to contact lawmakers and register their opposition…

After the spending plan passed the House on Thursday thanks to support from about one-third of the Democratic caucus, Warren on Friday unsuccessfully tried to remove the provision, which would cut down a narrow rule guiding how banks can hold derivatives. She framed the debate as one between working families and the powerful lobbyists for Citigroup, which took more bailout money than any other U.S. lender and whose "grip over economic policymaking in the executive branch is unprecedented."

"Let me say this to anyone who is listening at Citi," Warren said from the Senate floor. "I agree with you Dodd-Frank isn't perfect. It should have broken you into pieces…"

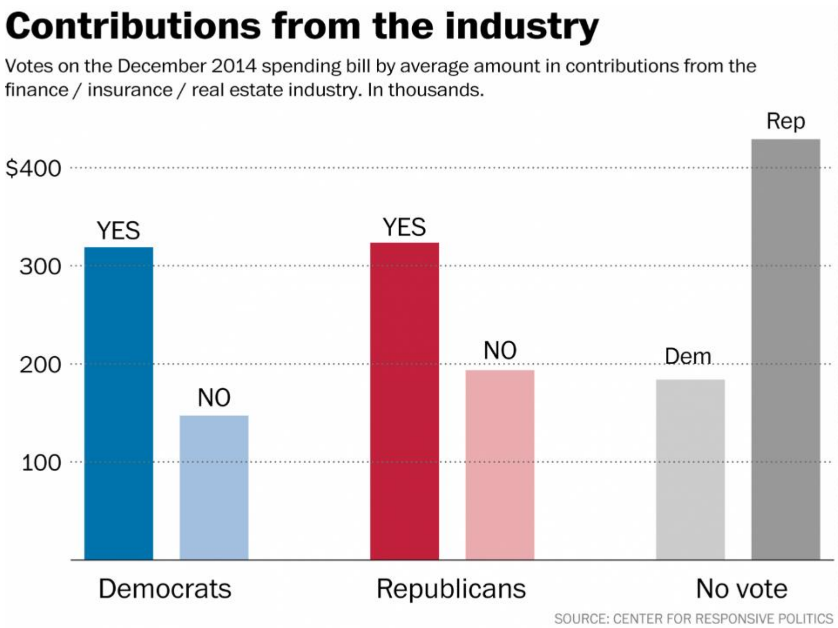
White House press secretary Josh Earnest on Friday downplayed the fight with Democrats over the spending bill, saying it was "a difference over tactics not a difference over principle." He warned that "people who underestimate Nancy Pelosi do so at their own risk" and said Obama and Warren are on the same side on many issues, from Wall Street reform to their recent position over tax extenders. "Those shared values will be on display over the next couple of years," he said.

Democrats Who Voted for the CRomnibus Have Received Twice as Much Money from the Finance Industry as 'No' Voters
Philip Bump, Washington Post, 12/12/14
We'll start with the thing that will catch your attention, as is the way: Democrats who voted for the giant spending bill on Thursday night received, on average, twice the campaign contributions from the finance/insurance/real estate industry as their colleagues who voted against it.

Debate over the bill, you'll remember, ended up being centered on the repeal of a restriction on big banks imposed after the financial collapse that led to the recession. The vote in the House -- which ended up being far narrower than the White House would have liked -- resulted in an interesting geographic split. Here's how it looked.

Democrats in conservative areas (the South, upstate New York) voted for the bill. Republicans in conservative areas ... didn't. That doesn't hold true universally, but it's striking to see Kansas and Texas and Louisiana have so much of that lighter red color, showing Republicans who bucked Speaker John Boehner (R-Ohio) and opposed the measure. (The black areas are districts whose representatives didn't vote.)

We cross-referenced the vote with data from the Center for Responsive Politics on how much each member had received in campaign contributions from the finance/insurance/real estate industries. This isn't only from PACs affiliated with those industries, we'll note; it also includes employees of firms in those industries. On average, members of Congress who voted yes received $322,000 from those industries. Those who voted no? $162,000. Here's the split by party.



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Jamie Dimon Himself Called to Urge Support for the Derivatives Rule in the Spending Bill
Steven Mufson and Tom Hamburger, Washington Post, 12/11/14
The banking lobby has always been a powerful force in Washington. The banks that could benefit from this change -- Citigroup and J.P. Morgan -- are among Washington's most influential corporate players. Each firm, for example, spent over $5 million a year lobbying in recent years, both of them ranking in the top 90 firms for lobbying expenditures, according to data prepared by the Center for Responsive Politics. In addition J.P. Morgan contributed over $5 million to federal candidates and parties in 2012, compared with $2.6 million in the last election cycle for Citigroup. And both firms have strong connections on Capitol Hill and the White House. Citi, for example, includes among its stable of lobbyists former House Speaker Bob Livingston (R-La.) and former Senators John Breaux (D-La.) and Trent Lott (R-Miss.).

Former House Financial Services Committee Chairman Barney Frank on Wednesday also urged his former colleagues to reject the omnibus appropriations bill. He called the amendment inserted into the bill "a substantive mistake, a terrible violation of the procedure that should be followed on this complex and important subject, and a frightening precedent that provides a road map for further attacks on our protection against financial instability."

How Wall Street Got its Way
Dave Clarke, Kate Davidson & Jon Prior, PoliticoPro, 12/11/14
Wall Street's success in using the year-end spending bill to weaken a provision of the 2010 financial reform law shows how it plans to wield its clout in the months ahead — slowly and methodically, piece by piece, leveraging the legislative process.

But the sudden uprising by liberals led by Sen. Elizabeth Warren (D-Mass.) also showed that Wall Street's toxic reputation will continue to dog its efforts in Congress. Liberal Democrats almost sank the budget deal because it included a provision to roll back a section of the Dodd-Frank law that big banks have been plotting to get rid of for years…

While Senate Democratic leaders and the White House opposed its inclusion, they were willing to swallow it to get the budget deal done. Liberal lawmakers and their outside allies were not.

"Unless the White House draws the line and says that it's not going to be blackmailed into making regulatory changes in these so-called 'must pass' bills, then this is going to be the playbook for the next two years," said **Americans for Financial Reform** Policy Director Marcus Stanley, whose group urged lawmakers to oppose the bill. "They're just going to get rolled over and over again."

Senator Warren Calls on House to Strike Repeal of Dodd-Frank Provision from Government Spending Bill
Sen. Elizabeth Warren, Floor Statement (YouTube), 12/10/14
We put this rule in place after the collapse of the financial system because we wanted to reduce the risk that reckless gambling on Wall Street could ever again threaten jobs and livelihoods on Main Street. We put this rule in place because people of all political persuasions were disgusted at the idea of future bailouts. And now, no debate, no discussion, Republicans in the House of Representatives are threatening to shut down the government if they don't get a chance to repeal it.

That raises a simple question - why? If this rule brings more stability to our financial system, if this rule prevents future government bailouts, why in the world would anyone want to repeal it, let alone hold the entire government hostage in order to ram through the repeal?

The reason, unfortunately, is simple. It's about money, and it's about power. Because while this legal change could pose serious risks to our entire economy, it'll also make a lot of money for Wall Street banks. According to **Americans for Financial Reform**, this change will be a huge boon to just a handful of our biggest banks - Citigroup, JP Morgan, and Bank of America.

Video of Senator Warren's Friday Night Floor Statement
Senator Elizabeth Warren, 12/12/14

Elizabeth Warren's Searing Anti-Wall Street Speech Struck a GOP Nerve
Daniel Strauss, Talking Points Memo, 12/13/14
Warren's speech came late Friday night as Congress struggled to pass legislation to prevent a government shutdown. Warren, in particular, called out CitiGroup and its employee's connections to Congress which, she argued, helped keep the provision in the $1.1 trillion spending bill.

"Mr. President, Democrats don't like Wall Street bailouts," Warren said. "Republicans don't like Wall Street bailouts. The American people are disgusted by Wall Street bailouts. And yet here we are five years after Dodd-Frank with Congress on the verge of ramming through a provision that would do nothing for the middle class, do nothing for community banks, do nothing but raise the risk that taxpayers will have to bail out the biggest banks once again."

The influence of major banks like CitiGroup explains why the provision is in the bill at all, Warren explained. Warren listed a number of former CitiGroup officials who have taken top positions in the Obama administration and past administrations.

"You know, there is a lot of talk lately about how Dodd-Frank isn't perfect. There is a lot of talk coming from CitiGroup about how Dodd-Frank isn't perfect," Warren continued. "So let me say this to anyone listening at Citi —I agree with you. Dodd-Frank isn't perfect. It should have broken you into pieces. If this Congress is going to open up Dodd-Frank in the months ahead then let's open it up to get tougher, not to create more bailout opportunities."

Text of statements of opposition by other current and former lawmakers, including Senators Sherrod Brown, Carl Levin and David Vitter; former Representative Barney Frank; and current Representatives Nancy Pelosi, Louise Slaughter, Maxine Waters, and the Congressional Progressive Caucus. And joint letter from Senators Brown and Vitter.

Senator Jeff Merkley Joins Barney Frank and Advocates in Decrying Dodd-Frank Rollback Threat
Press release, AFR and Leadership Conference on Civil and Human Rights, 12/11/14

See also joint statement by AFR and Leadership Conference on Civil and Human Rights, 12/11/14

And statements by these organizations: AFL-CIO, American Sustainable Business Council, Better Markets, Demos, MoveOn, New England Fuel Institute, Public Citizen, Roosevelt Institute, The Other 98 %, SEIU, Systemic Risk Council, and U.S. PIRG.

Citigroup Will Be Broken Up
Simon Johnson, Baseline Scenario, 12/12/14
Citigroup is a very large bank that has amassed a huge amount of political power. Its current and former executives consistently push laws and regulations in the direction of allowing Citi and other megabanks to take on more risk, particularly in the form of complex highly leveraged bets. Taking these risks allows the executives and traders to get a lot of upside compensation in the form of bonuses when things go well – while the downside losses, when they materialize, become the taxpayer's problem…

Now the supposedly brilliant people who run Citigroup have, in the space of a single working week, made a series of serious political blunders with long-lasting implications. Their greed has manifestly proved Elizabeth Warren exactly right about the excessive clout of Wall Street, their arrogance has greatly strengthened a growing left-center-right coalition concerned about the power of the megabanks, and their public exercise of raw power has helped this coalition understand what it needs focus on doing – break up Citigroup.

Satiric Slant on Swaps Fight: Citigroup to Move Headquarters to Capitol Building
Andy Borowitz, New Yorker Magazine, 12/13/14
Tracy Klugian, a spokesperson for Citi, said that the company had leased thirty thousand square feet of prime real estate on the floor of the House of Representatives and would be interviewing "world-class architects" to redesign the space to suit its needs...

Explaining the rationale behind the move, Klugian told reporters, “Instead of constantly flying out from New York to give members of Congress their marching orders, Citigroup executives can be right on the floor with them, handing them legislation and telling them how to vote. This is going to result in tremendous cost savings going forward.”

Don’t Repeal Swaps Push-Out Requirements
Simon Johnson, Baseline Scenario, 12/10/14
This is not a left vs. right issue. It is a fundamental systemic risk issue, on which people across the political spectrum who want to lower those risks can agree – Section 716 should not be repealed. In fact, some of the sharpest voices on this issue come from the right.

In a statement on Tuesday, Thomas Hoenig, appointed by the Republicans to be Vice Chair of the FDIC, said: “In 2008 we learned the economic consequences of conducting derivatives trading in taxpayer-insured banks. Section 716 of Dodd-Frank is an important step in pushing the trading activity out to where it should be conducted: in the open market, outside of taxpayer-backed commercial banks. It is illogical to repeal the 716 push out requirement.”

And on Tuesday evening, Senator David Vitter (R., Louisiana) put the issue in its proper broader context: “Ending too big to fail is far from over. Before Congress starts handing out Christmas presents to the megabanks and Wall Street – we need to be smart about this. Removing these risky derivatives that aren’t even necessary for normal banking purposes is important, and Members of Congress need to rethink repealing this critical provision.”

Citigroup Wrote the Wall Street Giveaway the House Just Approved
Erika Eichelberger, Mother Jones, 12/12/14
Lawmakers snuck the measure into a massive 11th-hour government funding bill that congressional leaders negotiated in the hopes of averting a government shutdown. President Barack Obama is expected to sign the legislation.

"This is outrageous," says Marcus Stanley, the financial policy director at the advocacy group **Americans for Financial Reform**. "This is to benefit big banks, bottom line."

Hiding Bad Policy in the Budget Bill
Editorial, NY Times, 12/11/14
Written in secrecy, presented as the take-it-or-leave-it alternative to a government shutdown, the bill, which narrowly passed the House Thursday night, includes two regressive “riders” aimed at warming the big-money hearts of donors who leave Congress increasingly vulnerable to special-interest corruption.

The second rider, custom tailored for the banks of Wall Street, would kill a crucial part of the Dodd-Frank reform law aimed at curbing the banks’ reckless speculation in complex derivatives that fueled the banks’ ignominious collapse in 2008 and fed the great recession. The rider would effectively put taxpayers back on the hook to cushion the banks’ losses in risky derivative deals.

8 Things to Know About the ‘Cromnibus’ Budget Deal Congress Just Unveiled
Alan Pyke, ThinkProgress, 11/11/14
Americans for Financial Reform and the Leadership Conference on Civil and Human Rights blasted the move as “a backroom deal buried deep in a stopgap government funding measure” that will increase the risks taxpayers and the economy face. Former Rep. Barney Frank called it “a terrible violation of the procedure that should be followed on this complex and important

subject, and a frightening precedent that provides a road map for further attacks on our protection against financial instability."

Wall Street's Win on Swaps Rule Shows Resurgence in Washington
Cheyenne Hopkins & Silla Brush, Bloomberg, 12/12/14
The industry's lobbying campaign on the provision gained momentum after a move by the Obama administration itself, which signaled last year that it was willing to bend on the swaps rule, said a person familiar with the bank's campaign who sought anonymity to discuss the effort.

At the time, White House officials discussed a deal that would have scuttled the requirement in exchange for Republican support for a bill to increase funding for the International Monetary Fund. It ultimately fell through. Republicans and Wall Street, however, took notice: The rule wasn't off limits to the administration.

Warren Tells Democrats to Oppose Spending Bill over Dodd-Frank Change
Joseph Lawler, Washington Examiner, 12/10/14
Dodd-Frank targeted derivatives for added regulation following the destabilizing implosion of insurer American International Group in 2008. AIG's swaps deals with major Wall Street banks threatened to bring down the financial system, prompting a taxpayer bailout.

Repealing the swaps push-out provision, said **Americans for Financial Reform** Executive Director Lisa Donner, could risk future problems.

"The section of Dodd-Frank that Congress is proposing to repeal was put in place to help prevent future bailouts of too-big-to-fail banks," Donner said in response to Tuesday's news. "It cordons off the kinds of extraordinarily risky transactions that were at the heart of the financial crisis. Including this repeal in the budget is outrageous."

Warren Leads Liberal Democrats' Rebellion Over Provisions in $1 Trillion Spending Bill
Lori Montgomery & Sean Sullivan, Washington Post, 12/10/14
In a conference call with reporters, former congressman Barney Frank, the Massachusetts Democrat who co-authored the act in the wake of the 2008 banking crisis, called it "an absolute outrage" and "a road map for the stealth unwinding of financial reform."

Banking lobbyists defended the provision as a relatively minor change that, according to Francis Creighton, chief lobbyist for the Financial Services Roundtable, "will make it easier for financial institutions to use derivatives as a hedge against risk, which is an important part of making the economy work."

Creighton expressed surprise at the fuss over the measure. "We have been talking about it for years, and very publicly," he said, adding that the same provision had been approved by the House in 2013 in a stand-alone measure that won the votes of 70 Democrats. Among those voting yes were Hoyer and Rep. Nita M. Lowey (N.Y.), the senior Democrat on the House Appropriations Committee, which wrote the spending bill.

Far from being slipped into the measure in the dark of night, as Warren and some other liberals claimed, the provision was approved through the regular House committee process and then negotiated directly with Senate Appropriations Committee Chairman Barbara A. Mikulski (D-Md.), according to aides in both parties.

[Congress Is Showing How Eager it is to Gut Financial Reform]
David Sanchez, ThinkProgress, 12/11/14

[Critics Say Spending Bill Includes a Bonanza for Wall Street]
Erin McClam, NBC News, 12/12/14
Marcus Stanley, policy director for **Americans for Financial Reform**, which advocates for tighter regulation of Wall Street, said the big winners would be three large banks — Citigroup, JPMorgan Chase and Bank of America.

In fact, according to analysis by Mother Jones magazine and The New York Times, the legislative language of the rollback was written mostly by Citigroup itself.

"These derivatives markets are very lucrative," Stanley said in an interview Friday. "And that safety net subsidy, that deposit insurance subsidy, gives you a very large advantage. There's a lot of money involved in this."

The Financial Regulation Congress Is Quietly Trying to Destroy in the Budget
Mike Konczal, Next New Deal, 12/10/14
Section 716 of Dodd-Frank says that institutions that receive federal insurance through FDIC and the Federal Reserve can't be dealers in the specialized derivatives market. Banks must instead "push out" these dealers into separate subsidiaries with their own capital that don't benefit from the government backstop. They can still trade in many standardized derivatives and hedge their own risks, however. This was done because having banks act as exotic swap dealers put taxpayers at risk in the event of a sudden collapse. That's it.

Why would you want a regulation like this? The first [reason] is that it acts as a complement to the Volcker Rule. As **Americans for Financial Reform** notes, the Volcker Rule allows banks to make markets in derivatives. What 716 does is regulate the most exotic and custom derivatives, like the custom credit default swaps that generated the financial crisis of 2008. These derivatives are the most difficult part for the Volcker Rule to manage, so 716 adds a crucial second layer of protection.

Congress to Reinstate Taxpayer Subsidies for Reckless Derivatives Trading
Mary Bottari, Center for Media and Democracy, 12/11/14
The measure is backed not just by Citi, but by all the too-big-to-fail banks who want to continue business as usual, including JP Morgan Chase, which lost a whopping $7 billion recently in risky derivatives trades. FDIC's Vice Chair Thomas Hoenig, a Republican, explains the real reason the banks want the deal: "Most of these firms have broker-dealer affiliates where they can place these activities, but these affiliates are not as richly subsidized." In other words, the banks could make a lot more money if they can use taxpayer-backed funds to make risky bets in the derivatives markets.

Marcus Stanley, policy director for nonprofit consumer watchdog group **Americans for Financial Reform**, puts it more simply: "The bill restores the public subsidy to exotic Wall Street activities."

CONSUMER FINANCE & CFPB

Medical Debt Saddles Many
Josh Boak, Associated Press, 12/11/14
Nearly 20% of U.S. consumers — 42.9 million people — have unpaid medical debts, according to a new report by the Consumer Financial Protection Bureau.

The findings suggest that many Americans are being trapped by debt because they are confused by the notices they get from hospitals and insurance companies about the cost of treatment. As a result, millions of Americans may be surprised to find they are stuck with lower credit scores, making it harder for them to borrow to buy a home or an automobile.

"When people fall ill and end up at the hospital with unexpected bills, far too often they have entered into a financial maze," bureau director Richard Cordray said in a speech to be delivered Thursday in Oklahoma City.

On average, a person with only overdue medical debt owes $1,766. Someone with unpaid medical bills and other sources of debt — possibly credit cards or back taxes — owes an average of $5,638. More than half of all debt on credit reports stems from medical expenses.

CFPB Blasts 'Debt Relief' Services
Michael Stratford, Inside Higher Ed, 12/12/14
The U.S. Consumer Financial Protection Bureau announced Thursday that it was taking legal action against two companies offering to help students take advantage of federal loan benefits that officials said amounted to a "scam." The bureau said the companies engaged in predatory practices by overpromising the help they could provide borrowers and illegally charging borrowers upfront fees to help them apply for federal loan benefits that are free.

CFPB Takes Action Against Two Alleged Student Debt Relief Scams
Ashlee Kiefer, Consumerist, 12/11/14

18% of Americans Say Debt Is Forever
John Waggoner, Great Falls Tribune, 12/11/14

Colorado Is No Model for a National Payday Rule
Lauren Saunders, American Banker, 12/10/14
As the Consumer Financial Protection Bureau considers rules to protect consumers who take out payday loans, some observers are pointing to changes that Colorado enacted in 2010 as a model. Colorado's cap on payday loan interest rates — limited to 45% per year — has indeed reduced costs for borrowers. But with origination and monthly fees included, annual percentage rates are still in the triple digits. Lenders also have no requirement, and little incentive, to assess borrowers' ability to repay. The data suggests that payday loans in Colorado remain dangerous and unaffordable for many borrowers.

Richardville: 276% Interest Rate Loans Not 'Predatory'
Brian O'Connor, Detroit News, 12/9/14
On the same day that The Detroit News revealed that Senate Majority Leader Randy Richardville, R-Monroe, pushed a little-known bill through the lame duck session that would expose Michigan consumers to short-term loans with annual interest rates of nearly 300 percent, Richardville denied to reporters that the bill constitutes any kind of predatory lending.

Payday Lenders Fail Consumers
Nick Bourke, Albany Times Union (letter to editor), 12/11/2014
In his commentary ("Short-term credit can work here," Nov. 21), Jamie Fulmer of the payday loan company Advance America cites our research at The Pew Charitable Trusts to support his argument for allowing state-licensed short-term lending in New York.

He ignores, however, other key elements of our research showing unequivocally that short-term, balloon-payment payday loans consistently fail consumers in states that allow them.

Berkeley Planning Commission Targets Payday, Pink Slip Loan Businesses
San Jose Mercury News, 12/8/2014

South Dakota Lawmakers to Debate Payday Loan Changes
James Nord, Associated Press, 12/8/14

KSU Study Says Payday Loan Rollovers Don't Hurt Borrowers
Atlanta Business Chronicle, 12/9/14
Critics who argue extended refinancing of payday loans hurt consumers' financial welfare might be wrong, according to Kennesaw State University's Center for Statistics and Analytical Services.

Borrowers who engaged in protracted refinancing (rollover) activity had better financial outcomes (measured by changes in credit scores) than consumers whose borrowing was limited to shorter periods…

A Response to the New KSU Study on Payday Lending
Stop the Debt Trap, 12/10/14
[M]edia outlets, consumers, and academics alike should be careful to critically examine this new study from KSU.

First: the study was funded by the Consumer Credit Research Foundation. It's the same organization that funded research on "low-income payday loans" and has a history of actively defending the payday loan industry. It's a little like the tobacco industry paying for research saying that smoking a pack of cigarettes is better than smoking just one, without revealing that the first one was designed to hook you in the first place.
Suffice to say: the credibility and objectivity of this funding organization, when it comes to payday lending, is questionable at best.

Moreover: this research runs counter to a sea of research that has shown exactly the opposite results. Research by the Consumer Financial Protection Bureau and the Department of Defense, as well as numerous other well-regarded and decidedly independent organizations, have shown that payday borrowers suffer a host of other economic costs. Studies have shown that payday borrowers are more likely to have credit card delinquency, unpaid medical bills, overdraft fees leading to closed bank accounts, and even bankruptcy.

How I Ended Up in a Congressional 'Choke Point' Report
Joe Adler, American Banker, 12/14/14
The report is meant to prove that the FDIC went too far in targeting payday lenders — which, according to documents attached in the report, some FDIC officials clearly detest — via the banks it supervises.

"It's appalling that our government is working around the law to vindictively attack businesses they find objectionable," said Rep. Darrell Issa, R-Calif., the committee's chairman. "Internal FDIC documents confirm that Operation Choke Point is an extraordinary abuse of government power."

But like too much of this debate over Choke Point, the report is dominated by opinion, innuendo and the omission of critically important context. I ought to know. In one section, the report takes a conversation that occurred between an FDIC official and myself out of context in order to support the committee's conclusions.

ENFORCEMENT

U.S. Sues Deutsche Bank Over Tax Payments
Saabira Chaudhuri and Christopher M. Matthews, Wall St. Journal, 12/8/14
The U.S. Attorney for the Southern District of New York, Preet Bharara, in a civil suit filed Monday in Manhattan federal court alleged that Deutsche Bank struck a deal to create shell companies to help it avoid paying taxes. Deutsche Bank says it plans to contest the allegations. The taxes in question would have been triggered by selling Bristol-Myers Squibb Co. stock that Deutsche Bank had received as part of a 1999 acquisition.

Mutual Fund Industry May Face New Rules
Peter Eavis, NY Times, 12/11/14

FEDERAL RESERVE

Managing the Economy – The Federal Reserve, Wall Street and Main Street
Conference, Co-sponsored by AFR, the Economic Policy Institute, and the Roosevelt Institute, 12/9/14

With New Capital Rule, Fed Nudges Big Banks to Shrink
Peter Eavis, NY Times, 12/9/14
The Federal Reserve, fearing complacency six years after the financial crisis, moved on Tuesday to preserve the efforts that have strengthened large banks. The Fed proposed a rule that would increase capital requirements for the nation's eight largest banks, including JPMorgan Chase and Goldman Sachs. By increasing the requirements, the Fed aims to make large banks more resilient to shocks. A bank with higher capital depends less on borrowed money, which may cease to be available in times of stress.

Fed Aims to Signal Shift on Low Rates
Jon Hilsenrath, Wall St. Journal, 12/8/14

FINANCIAL TRANSACTION TAX

Europe is Moving Ahead; Now It's America's Turn to Tax Wall Street Trades
Joint Statement, AFR, Public Citizen and Stamp Out Poverty, 12/9/14

HOUSING AND MORTGAGES

U.S. Lowers One Hurdle to Obtaining a Mortgage
Patricia Cohen, NY Times, 12/8/14
Hoping to lure more first-time home buyers into the housing market, the government on Monday detailed its plan to offer mortgages with a down payment of as little as 3 percent of the purchase price. The proposal, first announced in October, aims to make mortgages more widely available to people who have a strong credit history but lack the ready cash for the standard 20 percent down payment.

Fannie Mae and Freddie Mac suspend foreclosure evictions during holidays
Brena Swanson, Housing Wire, 12/9/2014

INVESTOR RIGHTS AND THE SEC

With Bank of America Order, SEC Breaks the Mold
Peter J. Henning, NY Times, 12/8/14
The recidivism rate among companies caught violating securities laws can be a bit disheartening. Despite settlements that include corporate proclamations of a commitment to compliance, the same names seem to appear again and again in settlements for new violations. The Securities and Exchange Commission has recently taken a small step toward making the cost of a violation a bit steeper by refusing to give companies a free pass.

Mutual Fund Industry May Face New Rules
Peter Eavis, NY Times, 12/11/14

White Says SEC Needs New Initiatives to Oversee Funds
Bloomberg, 12/11/14

POLITICAL INFLUENCE OF WALL STREET AND REVOLVING DOOR

Antonio Weiss Is Not Qualified to be Under Secretary for Domestic Finance
Simon Johnson, Baseline Scenario, 12/6/14
In the organizational structure of the Treasury Department, the Under Secretary for Domestic Finance is "primarily responsible for policy formulation and overall management" at the Office of Domestic Finance – a very important role. This Office is central to our debt management policies, but the Under Secretary also guides the administration's fiscal policies much more broadly,

"Domestic Finance advises and assists in areas of domestic finance, banking, and other related economic matters. It develops policies and guidance for Treasury Department activities in the areas of financial institutions, federal debt finance, financial regulation, and capital markets."

We Don’t Need More Public Service From Wall Street Bankers
Dean Baker, Campaign for America’s Future, 12/8/14
Foremost among those defending the practice was New York Times columnist and DealBook editor Andrew Ross Sorkin, who characterized Warren’s objections as “misplaced rage.” He later wrote a piece in which he praised the willingness of Lazard and other Wall Street firms to reward public service and bemoaned the fact that not all businesses followed the same practice.

If we had not just witnessed the worst economic disaster since the Great Depression — a setback from which we have yet to fully recover — Sorkin and his allies might be granted a sympathetic hearing. However, given the current reality, the real scandal is that any serious person would be making Sorkin’s arguments…

Statement on Weiss Nomination by Senator Elizabeth Warren (video)
Sen. Warren, keynote speech at AFR/EPI/Roosevelt Institute conference,

Financial Sector Lobbying and Campaign Spending Top $1.2 Billion for 2014 Election Cycle
Americans for Financial Reform, “Wall Street Money in Washington” (updated report), December 2014
That total – of officially reported expenditures on campaign contributions and lobbying from January 1, 2013, through November 16, 2014 – works out to just under $1.8 million a day. It represents an average of about $2.3 million spent to elect or influence each of the 535 members of the Senate and House of Representatives. More than 300 financial sector companies and trade associations spent at least $500,000 each in this period.

STUDENT LOANS AND FOR-PROFIT COLLEGES

What Students Don’t Know About Their Loans
David Leonhardt, NY Times, 12/11/14
The real problem are people who tend to have less debt — say, $10,000 or $20,000 — but who never graduate from college or who earn a degree or certificate with relatively little value. Compounding the problem, these students also tend to underestimate how they much debt they will take on, according to a study released today by the Brookings Institution.

CFPB Blasts ‘Debt Relief’ Services
Michael Stratford, Insight Higher Ed, 12/12/14
The U.S. Consumer Financial Protection Bureau announced Thursday that it was taking legal action against two companies offering to help students take advantage of federal loan benefits that officials said amounted to a “scam.” The bureau said the companies engaged in predatory practices by overpromising the help they could provide borrowers and illegally charging borrowers upfront fees to help them apply for federal loan benefits that are free.

ITT Tech's New Charter School to Offer Free AA Degree — With aCatch
Stephanie Wang, Indy Star, 12/9/2014

Corinthian Colleges Campuses In California Will Likely Be Shut Down
Molly Henslet-Clancy, BuzzFeed News, 12/7/2014
Kamala D. Harris, the California Attorney General who is leading a high-profile lawsuit against the for-profit Corinthian Colleges school system, appears to be steering all 23 Corinthian-owned campuses in the state towards closing down in the coming months.

The size and scope of the potential shutdown, involving well over 20,000 students at Everest, Wyotech, and Heald Colleges in California, would be unprecedented in the state, experts say, and could entail millions of dollars in debt forgiveness for thousands of students. California is home to almost a third of all of Corinthian's current students.