AFR Americans for Financial Reform

This Week in Wall Street Reform | Dec 2 - Dec 15, 2017

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THE TRUMP ADMINISTRATION, CONGRESS AND WALL STREET

Senate Panel Votes to Roll Back Some Dodd-Frank Requirements I NY Times
A Senate panel on Tuesday approved legislation that would provide banks and credit unions with relief from some of the stricter regulatory requirements put in place after the 2008 financial crisis. The bill, which was approved by a 16-7 vote, raises the threshold at which bank holding companies are considered too big to fail, thus subjecting them to financial stress tests and a capital-planning review. The threshold would increase from $50 billion to $250 billion. The panel rejected an array of amendments that senators said could unravel a bipartisan agreement crafted over several months.

Committee green-lights overhaul of banking rules I PoliticoPro
The vote was a major victory for a group of Republicans and moderate Democrats who have been negotiating the legislation for years. They held it up as a rare example of cooperation for a Congress where partisanship is a constant challenge.

"What people in this country are going to witness from this committee room is that this body can function, that we can sit down and make a deal and move a piece of legislation forward," said Sen. Heidi Heitkamp (D-N.D.), one of the drivers of the bill. "That is something that this country desperately needs to see." The bill, S. 2155, would dial back rules from the Dodd-Frank law, the sweeping regulatory overhaul that Democrats enacted in response to the global financial crisis.

Banks are not charity cases; stop acting like they are, senators I The Hill (Lisa Donner)
In the last year, banks have seen record profits; we have learned about a series of outrageous and widespread customer abuses by Wells Fargo; and millions of Americans had their personal data exposed to hackers because of a security breach at credit bureau Equifax…

Does that sound like a moment when senators need to rush to action on measures sought by the bank lobby that will harm consumers and endanger financial stability? Unfortunately, a bipartisan group of senators — nine Republicans and 10 Democrats — seems to think so.

Bank deregulation bill will leave taxpayers holding the bag I The Hill (Damon Silvers)

See **AFR/Take on Wall Street statement** and AFR letter to Congress, "**Reject S 2155 — A Gift to Bank Lobbyists**"

Cheat Sheet: House banking panel's 14-bill marathon I American Banker
The House Financial Services Committee passed 13 bills on Wednesday, including one that would stop Fannie Mae and Freddie Mac from being released by the government and another hailed as helping the underbanked in rural areas.

Among the most significant bills approved was one by Rep. French Hill, R-Ark., that would prevent the Treasury Department from selling its preferred stock and warrants in the government-sponsored enterprises until 2019. The bill, passed 33-27, would not prevent Congress and the Trump administration from moving forward with housing finance reform and signing legislation restructuring Fannie and Freddie.

See **AFR letter** opposing House financial deregulation package.

Royce Could Be a Contender for Next House Financial Services Chair I Morning Consult

Trump Team to Slash Budget, Staff at Financial-Data Office I Wall St. Journal
The Trump administration has told employees of the U.S. Office of Financial Research to expect deep budget and staffing cuts… It was the strongest indication yet of the Trump administration's plans for the OFR, which Congress created in 2010 to improve financial data and spot risks. The House Financial Services Committee is scheduled to hold a hearing about the OFR on Thursday with testimony from its departing chief, Richard Berner, who is stepping down at the end of this year.

Trump Takes Credit for Killing Hundreds of Regulations That Were Already Dead I Bloomberg
The White House says it has killed or stalled 860 pending regulations. It's done this by withdrawing 469, listing another 109 as inactive and relegating 282 to "long term." A Bloomberg News review has found even those claims are exaggerated. Hundreds of the pending regulations had been effectively shelved before Trump took office. Others listed as withdrawn are actually still being developed by federal agencies. Still more were moot because the actions sought in a pending rule were already in effect.

'Shelby Mafia' Is Helping Trump Deregulate Wall Street I Wall St. Journal
The Trump administration, in its effort to ease Wall Street rules, has turned to a network of current and former aides to Sen. Richard Shelby (R., Ala.), a group that lobbyists jokingly call the "Shelby mafia." Mr. Shelby has been the chairman or one of the top Republicans on the Senate Banking Committee for over decade, ceding the top position to Sen. Mike Crapo (R., Idaho) in 2017 due to term limits. Former Shelby staffers have landed or are under consideration for a number of roles—including prominent openings at the Securities and Exchange Commission and Federal Deposit Insurance Corp.—where they are positioned to help undo or ease postcrisis rules, even if Congress is unable to muster the votes to formally overturn them.

Trump to Nominate Jelena McWilliams as FDIC Chief I Wall St. Journal
President Donald Trump will nominate regional bank executive Jelena McWilliams to lead the Federal Deposit Insurance Corp., the White House said Thursday. Ms. McWilliams has worked as a lawyer at the Federal Reserve and on the Republican staff of the Senate Banking Committee. She is currently chief legal officer of Cincinnati-based Fifth Third Bancorp. The

nomination moves Mr. Trump closer to rounding out a team that can carry out his promise to revisit financial regulations adopted under President Barack Obama.

Fed official Quarles recuses himself from Wells Fargo matters I PoliticoPro

Plan to Stop Banks From Seducing Regulators Dies Under Trump I Bloomberg

CFPB SUCCESSION AND FUTURE

The fight to control the CFPB isn't over yet I The Intercept (David Dayen)
English's ongoing lawsuit has been buttressed by five separate amicus briefs supporting her position. These briefs come from a collection of consumer advocacy groups, Democratic attorneys general, and consumer finance scholars, and generally mirror English's arguments.

In one of the briefs, more than 30 current and former members of Congress, including Dodd-Frank architects Barney Frank and Christopher Dodd, wrote that they intended the deputy director to take over in the absence of the director to insulate the CFPB from politics. "In creating the Bureau, lawmakers determined that it needed to be independent in order to fulfill its mission," the amici argued. Indeed, legislative history shows that Congress considered making the CFPB subject to the FVRA standard, but then rejected that approach, a position that the legislators who actually authored the law reinforce.

GOP congressman blasts 'Dumbledore's Army' at consumer agency I Business Insider
Republican Rep. Dennis Ross of Florida took aim Thursday at the group of employees who have labeled themselves "Dumbledore's Army" in an effort to resist a President Donald Trump-appointed acting director at the top consumer watchdog agency.

In a letter to Mick Mulvaney, the acting director of the Consumer Financial Protection Bureau, Ross blasted the group as "a group of government employees engaging in fantasy play on the public dime."

The letter, provided to Business Insider, contained a litany of references to the "Harry Potter" children's book series, which is where the "Dumbledore's Army" label originated. Ross even included a Hogwarts watermark on the letter.

Mulvaney is now one of the most powerful bureaucrats in the country I Washington Post
The White House budget director is, for now, also the acting director of a powerful financial regulator, the Consumer Financial Protection Bureau. At the CFPB, he can single-handedly cut the agency's budget and decide whether to proceed with or drop investigations into big financial firms. He also gains a seat on a key regulatory panel that oversees the world's largest financial institutions, called the Financial Stability Oversight Council. Among the council's other members are Treasury Secretary Steven Mnuchin and Federal Reserve Chair Janet L. Yellen.

Mulvaney Can Undo Cordray's Legacy I Wall St. Journal (David B. Rivkin Jr. and Andrew M. Grossman)
When Richard Cordray attempted to install his chief of staff as acting director of the Consumer Financial Protection Bureau, his evident aim was to buy enough time to cement his

legacy—particularly a just-finalized rule that the agency expects will wipe out half or more of the short-term lending industry. On Tuesday a federal judge thwarted Mr. Cordray, holding that President Trump acted within his authority by appointing Mick Mulvaney to moonlight as acting CFPB director while continuing to lead the Office of Management and Budget. On his first day at the bureau, Mr. Mulvaney put a freeze on new rules and guidance.

Authority I Have 'Should Frighten People,' Says Mulvaney' I Talking Points Memo
White House Director of the Office of Management and Budget Mick Mulvaney, who the President just appointed as acting director of the Consumer Financial Protection Bureau, said taxpayers "should be frightened" by the amount of power he has in this new post. "The structure of the CFPB is fundamentally flawed. The authority I have now as the acting director really should frighten people. You can sit down in a room with three or four people, and say, well, let's go off and do this, and there is no accountability to Congress," he said on Fox Business Network's "Lou Dobbs Tonight" Thursday. "I could set the budget pretty much without any input from Congress, in fact, without any input from Congress," he said. "On one hand people call it independent but the bottom line is it's simply unaccountable."

The Power Struggle Over the Consumer Bureau I Zero Hour Interview with Alexis Goldstein

CFPB Interim Chief Mulvaney Taps Hensarling Aide for Senior Role I Wall St. Journal
The Consumer Financial Protection Bureau's new interim chief, Mick Mulvaney, on Friday tapped Republican congressional lawyer Brian Johnson to assist him as he takes charge of the agency. Mr. Johnson, an aide to House Financial Services Committee Chairman Jeb Hensarling (R., Texas), will serve as senior adviser to Mr. Mulvaney, according to a senior CFPB aide. Mr. Hensarling is Congress's leading critic of the CFPB, an agency created under the Obama administration after the financial crisis.

Obama-Era Official Will Continue Litigation to Gain Control of CFPB I Wall St. Journal
An Obama-era official will continue litigation seeking to remove White House budget chief Mick Mulvaney as acting director of the Consumer Financial Protection Bureau, legal papers filed Friday night said. Leandra English, who lost an initial court fight seeking to claim the title of acting CFPB director, said she would seek a temporary injunction against Mr. Mulvaney next week and ask the judge who ruled against her to do a more complete legal assessment of her claims that she should be running the agency as its acting chief.

What's at Stake in the Fight Over the CFPB I The Atlantic (Gillian B. White)
Prior to the founding of the CFPB, disputes between individual customers and their banks could be daunting and expensive pursuits. The financial industry has never been known for its transparency or accessibility, and banks managed to sneak all types of dangerous, expensive, or exploitative provisions into the fine print of contracts on everything from credit-card applications to mortgages. The subprime-debt crisis highlights just how badly that can turn out for everyone. While state-level consumer protections existed and banks were regulated by entities such as the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency, the CFPB was the first federal regulator to take a critical look at such a wide variety of banking practices with an eye toward fairness and protection of consumers above all else.

And yet, few Americans know much at all about the agency. A 2013 poll of 1,000 people done by a progressive nonprofit, **Americans for Financial Reform**, showed that only about 40 percent of Americans hadn't heard of the CFPB or had no opinion about it. It doesn't seem like awareness improved much with time. In a small but representative survey of around 500 adults conducted in 2017 by the financial product–recommendation website CreditCards.com, approximately 81 percent said they didn't know enough about the agency to have an opinion about it.

CFPB deputy director asks judge for injunction to replace Mulvaney I LA Times

Consumer advocates file brief opposing CFPB's Mulvaney I American Banker

See AFR Statement, **"Public Interest Groups File Amicus Brief In Support of Leandra English as CFPB Director"**

Meet Leandra English, The GOP's Latest Boogeyman I Huffington Post
After earning a master's degree from the London School of Economics, she's built a career as a Washington functionary, changing federal agencies every few years as new opportunities arose, distinguishing herself by working long hours and, as multiple people said, "keeping the trains running on time."

"At the bureau, she was known as somebody with no ego," notes Patricia McCoy, former CFPB assistant director for mortgage markets. "Her talent in cutting through red tape was widely recognized."

"She worked later than probably anybody I know," says Chris Vaeth, who spent five years at the CFPB, ultimately leading its Office of Community Affairs.

See **letter From 44 Senators** urging president to swiftly nominate aggressive head of Consumer Bureau

Consumer Bureau's New Leader Steers a Sudden Reversal I NY Times
The defanging of a federal consumer watchdog agency began last week in a federal courthouse in San Francisco. After a nearly three-year legal skirmish, the Consumer Financial Protection Bureau appeared to have been victorious. A judge agreed in September with the bureau that a financial company had misled more than 100,000 mortgage customers. As punishment, the judge ordered the Ohio company, Nationwide Biweekly Administration, to pay nearly $8 million in penalties. All that was left was to collect the cash…

Then Mick Mulvaney was named the consumer bureau's acting director. Barely 48 hours later, the same lawyers filed a new two-sentence brief. Their request: to withdraw their earlier submission and no longer take a position on whether Nationwide should put up the cash… It was a subtle but unmistakable sign that the consumer bureau under Mr. Mulvaney is headed in a new direction — one that takes a lighter touch to regulating the financial industry…

Some employees, including a few of the bureau's top officials, have welcomed their new leader. Others, pointing to Mr. Mulvaney's earlier hostility toward the agency and its mission, are quietly resisting. One small group calls itself "Dumbledore's Army," according to two of the people who were familiar with their discussions. The name is a reference to a secret resistance force in the "Harry Potter" books.

Wells Fargo sanctions reportedly on ice under Mulvaney | Reuters
The new acting head of the U.S. consumer finance watchdog is reviewing whether Wells Fargo & Co (WFC.N) should pay tens of millions of dollars over alleged mortgage lending abuse, according to three sources familiar with the dispute...[T]hat matter and roughly a dozen others are in question now that Mick Mulvaney, the agency chief tapped by President Donald Trump, has said he is reviewing the CFPB's prior work.

Consumer bureau said to be reconsidering Wells Fargo fine | The Hill
The acting head of the Consumer Financial Protection Bureau (CFPB) is reportedly mulling whether to go ahead with a multimillion-dollar penalty for alleged mortgage fraud by Wells Fargo. Reuters reported that the CFPB and Wells Fargo had been hashing out a settlement over the bank charging potentially more than 100,000 mortgage borrowers unnecessary fees to lock in low mortgage rates.

Trump promises heavy penalties for Wells Fargo | The Hill
"Fines and penalties against Wells Fargo Bank for their bad acts against their customers and others will not be dropped, as has incorrectly been reported, but will be pursued and, if anything, substantially increased," Trump tweeted. "I will cut Regs but make penalties severe when caught cheating!" Trump appeared to be responding to a Thursday report from Reuters that Acting CFPB Director Mick Mulvaney was reviewing a pending settlement with Wells Fargo initiated by former director Richard Cordray.

Trump Says Wells Fargo Fines Will Not Be Reduced | NY Times

Trump denies that Wells Fargo may avoid federal penalties for alleged mortgage lending abuses | LA Times

See AFR statement, "**Trump Tweets Tough on Wall Street As Record Shows Opposite**"

Mulvaney's plan to embed political staffers sparks backlash | American Banker
For "every major branch of CFPB — enforcement, rulemaking, education, legal, maybe somebody in the Northeast division, somebody in the Southeast division, somebody out West," Mulvaney said he would "try to marry [that branch's] senior staffer ... up with a political position."

Aaron Klein, director of the Center on Regulation and Markets at the Brookings Institution, said that the implications of Mulvaney's hiring plans go beyond the CFPB. Klein served as a Democratic Senate staffer while the Dodd-Frank Act was being written, and he later worked in the Obama-era Treasury Department.

He said that Mulvaney's plans "should send shivers down the spine" of anyone who supports independent financial regulation.

Payday Lending Spree in the Backyard of CFPB "Acting Director" Mick Mulvaney I Allied Progress

Credit Union Accuses Trump of 'Hostile Takeover' of CFPB I Credit Union Times
A New York credit union has filed suit in federal court accusing the Trump Administration of a "hostile takeover" of the CFPB following the resignation of agency Director Richard Cordray. The Lower East Side People's Federal Credit Union filed suit in U.S. District Court for the Southern District of New York contending that President Trump illegally appointed Office of Management and Budget Director Mick Mulvaney to serve as interim director of the agency.

See New York City Comptroller's report on **How the Consumer Bureau Protects New Yorkers**

Mick Mulvaney's mission: Sacrifice public protections on the altar of deregulation I Salon (Michael Tanglis)
When the Trump administration's U.S. Office of Management and Budget (OMB) released its first semi-annual report on the status of federal regulations in July, it gave itself a big pat on the back for "amending and eliminating regulations that are ineffective, duplicative, and obsolete." OMB Director Mick Mulvaney bragged about removing or withdrawing 860 regulations, most of which were in the process of being developed, and none of which, he assured, were important to the American public. "I got news for you," he said. "None of them are very sexy. None of them are very glamorous. None of them really rise to the level of getting national attention." Mulvaney did not describe what these not "very glamorous" rules would have done.

Former consumer bureau director Cordray announces run for Ohio governor I Credit Union Times
Richard Cordray, the former director of the Consumer Financial Protection Bureau (CFPB), launched his campaign for Ohio governor Tuesday, two weeks after leaving the financial sector watchdog. Cordray, a Democrat who served as Ohio's attorney general before joining the CFPB, announced his candidacy at a diner in his hometown, Grove City, Ohio. The former CFPB director had long been expected to run, but was barred by federal law from campaigning until he left the bureau. Cordray resigned from the CFPB on Nov. 24, two weeks after announcing his intention to leave.

Cordray Finally Announces His Plans To Run For Ohio Governor I Daily Caller
The former CFPB director was meeting with top Democratic pollster, Celinda Lake, who runs Lake Research Partners in Washington. Cordray met with Lake on a number of occasions while at the CFPB, most recently Aug. 24, 2017.

Lake and her firm are no strangers to Ohio politics, listing Rep. Marcy Kaptur of Ohio on the firm's website as a former client. Lake Research Partners also has a 2017 contract out with the Ohio Democratic Party for "research" worth $18,849.

Lake told The DCNF in October that the she and members of her firm were "briefing CFPB staff including the director on the 2017 poll commissioned by **Americans for Financial Reform** and the Center for Responsible learning on financial regulations," and that her firm has never done "any work for the CFPB."

Cordray’s announcement will surely fire up Republicans–who believe the CFPB to be an arm of the progressive agenda–and the president.

CUNA: Mulvaney Is Properly Appointed to Lead CFPB I Credit Union Times

‘We Don’t Know Which CFPB Rules to Follow:’ Credit Union CEO I Credit Union Times

CONSUMER FINANCE AND THE CFPB

Millions of People Post Comments on Federal Regulations. Many Are Fake. I Wall St. Journal
As with many agencies, the CFPB opts not to put many of the duplicative comments online. It posted 200,000 “unique” comments out of the 1.4 million on its payday-lending proposal… But postings the Journal uncovered went beyond being merely duplicative.

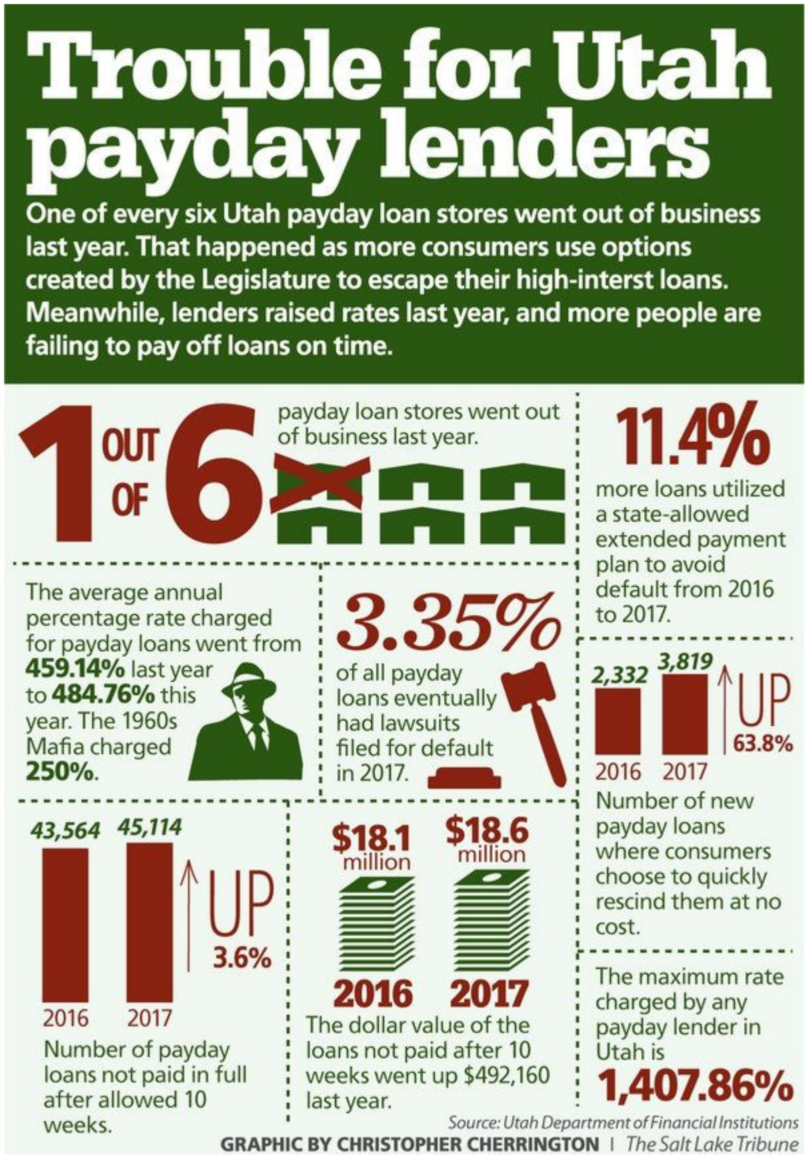
Ashley Marie Mireles, 26, said she didn’t write the comment posted on the CFPB’s website under her name but had clues how it got there. Her former employer, payday lender California Check Cashing Stores, told branch personnel in Clovis, Calif., to fill out an online survey after too few customers did, she said. In the survey, she said she received a payday loan for “car bills.” She had borrowed $50 to patch a tire.

On July 8, 2016, a 217-word comment with Ms. Mireles’s name and email was sent to the CFPB, reading, in part: “I had no idea the bill would be as expensive as it was after I took my car to the shop. To help me pay for everything, I went to get a cash loan.”

Untrue, she said. Her family owns an auto shop where she doesn’t pay.

Navajo Nation sues Wells Fargo for alleged predatory tactics I Washington Post
The tribe alleges employees at Wells Fargo branches on the vast reservation “routinely misled customers into opening unnecessary accounts and obtained debit and credit cards without customers’ consent.” They also allege Navajo elders “were purposely confused and deceived into purchasing products to help employees meet banking quotas.” The lawsuit, filed in a federal court in New Mexico, said “since at least 2009 and continuing through 2016, Wells Fargo employees at branches on the Navajo Nation routinely opened unauthorized savings and credit accounts, misled customers into opening unnecessary accounts, obtained debit cards without customers’ consent, and enrolled customers in online banking without proper consent.”

Keep predatory loans out of North Carolina I Fayetteville Observer (Michael Archer)



Trouble for Utah Payday Lenders I Salt Lake Tribune

Welcome Students! Need a Checking Account? I Chronicle of Higher Education
In her first weeks of graduate school, Akanksha Sharma had a problem: an ever-growing shopping list. Textbooks for classes, essentials for her new apartment, lab and activity fees, notebooks, folders, pens, graph paper, and so on: If there was any money left, she'd even consider buying something to eat.

A paycheck was on the way for Ms. Sharma's work as a research assistant at the University of Arizona. She just needed a place to deposit it. Fortunately, Wells Fargo Bank had a branch on campus, and various university materials described the company as its "official banking vendor." It was an easy choice. Little did Ms. Sharma know, she wasn't just getting a college-sponsored checking account. She was also signing up for an expensive financial re-education.

NRATV guest: Second Amendment gives you "firepower" against the Consumer Finance Protection Bureau I Salon

Consumers can go to court for most disputes with card companies I Columbus Dispatch
It's been an ongoing complaint: Credit-card companies routinely take advantage of consumers by forcing them into arbitration instead of court when they have disputes with their card companies. Last month, President Trump even signed a resolution scrapping a rule put in place by the federal watchdog Consumer Financial Protection Bureau that allowed consumers to collectively sue their banks. But a new report finds most consumers still can go to court if they want, though in some cases they may have to act fast after getting a new card. The study by CreditCards.com reviewed 30 major credit-card companies and found that nine have an arbitration clause that cannot be avoided. The remaining 21 have either no arbitration clause or allow consumers to opt out of arbitration within a certain time period.

Data collection freeze impacting CFPB examinations I Ballard Spahr (James Kim & Bowen "Bo" Ranney)

Toomey seeks to turn back CFPB restrictions on auto lending I PoliticoPro

With CFPB, GOP can finally make good on abolishing federal agencies I The Hill (Colin Hanna)

Don't slow down consumer protections I Naples News (Arden Rosenfeld)
Washington moves so slowly that it took 16 years for the federal government to require seatbelts, and more than two decades to require airbags. Unfortunately, legislation is moving in Congress right now that would slow the government even further and add a maze of additional bureaucracy to these lifesaving protections. Under the guise of "reform," a bill misleadingly named the Regulatory Accountability Act (RAA) would make it more difficult to implement protections, adding red tape and additional layers of bureaucracy into a process that is already long and complex.

Walmart Will Let Its 1.4 Million Workers Take Their Pay Before Payday I NY Times

AFR: Private Equity, Hedge Funds Are Supercharging Payday Lending I ValueWalk

Payday lenders see new opportunity at revamped CFPB I American Banker
Payday lenders fought tooth and nail to stop the CFPB from adopting the strict new restrictions, but their arguments largely fell on deaf ears during Richard Cordray's four-and-a-half-year tenure as director. The regulation, finalized in October, would make it much harder to issue high-cost consumer loans of 45 days or less.

But the arrival of acting CFPB Director Mick Mulvaney, a former GOP congressman who was among the top recipients of campaign contributions from payday lenders, opens new doors for the long-embattled sector.

[Millions Are Hounded for Debt They Don't Owe. One Victim Fought Back, With a Vengeance](#) **I Bloomberg**

DERIVATIVES, COMMODITIES, AND THE CFTC

Federal regulator gives OK for bitcoin futures to trade I Washington Post
The Commodities Futures Trading Commission, the primary regulator for exchanges like the CME, gave approval for the exchange to create bitcoin futures after six weeks of discussions. The CME Group is using a process known as "self-certification," which is when an exchange pledges that the new instruments will not break any federal securities laws.

FEDERAL RESERVE

Senate panel OKs Trump's pick for the next Federal Reserve chief I LA Times
A Senate committee has approved Jerome H. Powell's nomination to replace Janet L. Yellen as chair of the Federal Reserve.Tuesday's 22-1 vote by the Senate Banking Committee clears the way for full Senate approval in the coming weeks before Yellen's term ends Feb. 3. The only "no" vote came from Sen. Elizabeth Warren (D-Mass.)...

At his confirmation hearing last week, Powell, a Republican, defended the Dodd-Frank law that tightened financial oversight after the 2008 financial crisis but supported loosening regulations on smaller banks.

Fed proposes changes to make bank stress tests more transparent I Reuters
The Federal Reserve, the top U.S. banking regulator, on Thursday proposed changes to its annual bank "stress testing" process, aiming to give lenders significantly more information about how their portfolios may perform during potential market shocks.The proposed tweaks mark a major win for big banks which have for years complained that the Fed's stress testing process is too opaque, leaving them in the dark over whether they will pass or fail.

INVESTOR PROTECTION AND THE SEC

SEC Delays New Mutual Fund Disclosures, Citing Risk of Hacking I Wall St. Journal
Mutual funds will get a nine-month reprieve from sending detailed portfolio information to their regulator as the government reviews how to ensure the valuable data isn't hacked. The Securities and Exchange Commission said Friday that mutual funds won't have to send forms starting July 2018 that would reveal their positions in stocks, bonds and derivatives as well as monthly performance.

SEC Takes First Enforcement Action Against Coin Offering Firm I Wall St. Journal
The U.S. Securities and Exchange Commission on Monday announced its first-ever enforcement action by its cyber unit against an initial coin offering, saying a Canadian company violated U.S. securities laws in raising $15 million through this new, red-hot area of finance. Charges against the company, described by the agency as a "scam" run by a "recidivist Canadian securities law violator," were brought by the SEC's new cyber unit as it looks to crack

down on potential abuse in the cryptocurrency arena.

Not even an SEC probe can damp demand for initial coin offerings I Financial Times (Ben McLannahan)
Scams require at least two things: a perpetrator and a victim. In the case of PlexCorps, it appears we have perps: Dominic Lacroix and his partner, Sabrina Paradis-Royer, who are said to have conspired to defraud investors of $15m. That, at least, is the charge from America's Securities and Exchange Commission, which launched a debut action from its cyber crime unit this week.

The case revolves around initial coin offerings, the hot new craze that involves investors exchanging cryptocurrencies for digital stakes, or tokens, in a cryptocurrency start-up. According to the SEC, these tokens amount to securities, so ICOs need to play by the relevant laws.

The Cryptocurrency Crackdown I Slate

SEC gives whistleblower $4.1M I Accounting Today

SEC to revisit whistleblower rules as part of regulation agenda I PoliticoPro

Regulators showing renewed interest in cracking down on investment fees I InvestmentNews

SIFMA Sees SEC Fiduciary Rule Proposal Within 18 Months I ThinkAdvisor

MORTGAGES AND HOUSING

Firms Making Predatory Mortgages to Veterans Face Crackdown I Bloomberg
The U.S. is taking steps to stamp out the practice of servicemembers and veterans being pressured into taking mortgages they don't need, a move that officials say will lower consumer costs and could lead to financial penalties for lenders.

The actions, which were announced Thursday, stem from a probe by Ginnie Mae, a government-owned corporation that guarantees payment on $2 trillion-worth of mortgage-backed securities. Its bonds include loans made through the Department of Veterans Affairs as well as other federal programs meant for low-wealth or rural borrowers.

Many first-time home buyers lack basic knowledge about mortgages I Washington Post
Despite the efforts of housing counselors, real estate agents, mortgage lenders and the Consumer Financial Protection Bureau (CFPB), many Americans lack basic knowledge of mortgages and the home-buying process.

A recent survey by FreeandClear.com, a site that provides mortgage education, found that 20 percent of borrowers think it is impossible to buy a home with a down payment of less than 5 percent. Yet the FHA loan program requires just 3.5 percent, VA loans have no down payment requirement and conventional loans are available with 3 percent down payment options.

Housing tax breaks largely preserved under GOP plan **I PoliticoPro**

Freddie Mac launches single-family rental financing pilot program **I Housing Wire**

FHA increases loan limits in nearly every area of U.S. for 2018 **I HousingWire**
The Federal Housing Administration announced Thursday that nearly every area of the U.S. will see FHA loan limits increase in 2018.The new loan limits will take effect for FHA case numbers assigned on or after Jan. 1, 2018.

FHA is required by the National Housing Act, as amended by the Housing and Economic Recovery Act of 2008, to set Single Family forward loan limits at 115% of median house prices, subject to a floor and a ceiling on the limits. FHA calculates forward mortgage limits by Metropolitan Statistical Area and county.

Ginnie Mae clamps down on VA mortgage refinancing **I PoliticoPro**

Manhattan Lawyer Who Bilked Distressed Homeowners Disbarred **I NY Law Journal**

Freddie Mac: Borrowers opt for 30-year mortgages as short term rates increase **I Housing Wire**

Rising single family rentals dampening home sales **I Zillow**

PRIVATE FUNDS

Private Equity Cashes In On Payday Lending **I Huffington Post**
Payday lenders are more than a scourge of low-income communities. To illustrious financiers, they are also tacky and cheap. It is not so much that high finance disapproves of exploitation. But important capitalists move among other important capitalists. It doesn’t take much ingenuity to squeeze money from a working family desperate to meet an emergency expense.

So it is a telling sign of just how dysfunctional the American economy has become that some of the nation’s biggest private equity firms are now heavily invested in the payday loan business and its slightly more respectable cousin, subprime installment lending. A new report from **Americans for Financial Reform** and the Private Equity Stakeholder Project details dozens of such arrangements involving some of the biggest names on Wall Street and the scuzziest operations on Main Street.

REGULATION IN GENERAL

GAO: Fed should do more to prevent regulatory capture **I PoliticoPro**
The Federal Reserve needs to more actively fight the potential for regulatory capture in its supervision of large institutions, the GAO found in a new report.

The report, requested by Reps. Maxine Waters (D-Calif.) and Al Green (D-Texas), faults the Fed for not implementing an enterprise risk management framework at its Large Institution Supervision Coordinating Committee, which oversees the country's largest banks. GAO said the lack of such a framework might make it more difficult for the central bank to manage the risk that employees will act in service of a regulated bank at the expense of the public interest.

See statement by **Rep. Maxine Waters**

FCC's proposed Internet rules could raise college costs and hinder free exchange of ideas I Washington Post
There are legitimate fears over what this effort will mean for privacy and consumer protection, but there are a set of much more immediate concerns that aren't getting anywhere near the same level of attention — namely, the fact that this proposal will make college more expensive and more difficult for students. To understand why, you only need to look at how deeply intertwined modern higher education is with the Internet.

Bipartisan bill would force agencies to post watchdog recommendations I The Hill
Senators unveiled a bipartisan bill Thursday that would force federal agencies to post online the recommendations they receive from internal federal watchdogs. The Inspector General Recommendation Transparency Act, introduced by Sens. Heidi Heitkamp (D-N.D.) and Joni Ernst (R-Iowa), requires all recommendations from inspectors general at federal agencies that have gone unimplemented for more than a year to be posted to a single, searchable website. Their goal is to give Congress and the public a way to keep tabs on the problems that have been identified and whether the agency has taken steps to get them resolved.

RETIREMENT INVESTMENT AND DOL FIDUCIARY RULE

3 Things to Know About the Fiduciary Rule's Little Brother I Think Advisor
State insurance regulators could make their own annuity sales standards more like the standards in the U.S. Department of Labor's new fiduciary rule.

A top-level division of the National Association of Insurance Commissioners decided Monday to move ahead with an annuity sales standards revision project.

The division, the NAIC's Life Insurance and Annuities Committee, will be asking for public comments on a proposed rewrite of the NAIC's Suitability in Annuity Transactions Model Regulation (Model Number 275).

The chair of a committee working group recently put a "best interest standard of care" provision in the proposed revision.

Partial delay of fiduciary rule leaves investment industry in limbo I Pensions & Investments (Christian Hancey And Jenny Holmes)

A Hidden Danger Few Investors Understand I Huffington Post (Dan Solin)
If you signed an account opening statement with a broker, you have agreed to waive your right to a trial by jury in the event of a dispute with your broker. Instead, you will be required to submit your claims to mandatory arbitration, administered by the Financial Industry Regulatory Authority, known as "FINRA"...
Many investors have found this little understood clause gives their broker carte blanche to

engage in misconduct that decimates their portfolio, while depriving them of any effective redress.

Industry opponents urge appeals court to rule on DOL fiduciary rule I Investment News

Fiduciary rule delay: Is now the best time to buy software? I Financial Planning

How the Fiduciary Rule Is Good For You I Forbes

STUDENT LOANS AND FOR-PROFIT COLLEGES

Republican proposal could create bigger role for private industry in higher education I MarketWatch
On Dec. 1, the Republican leadership of the House Education and Workforce Committee released their proposal to reauthorize the Higher Education Act. HEA, as it's known, is the statute governing colleges and the student loan program — and it comes up for review periodically…

"We see a decimation of key consumer protections for students," said Ben Miller, the senior director of post-secondary education at the Center for American Progress, a left-leaning think tank. The "business of higher education over students" is just one of the themes that emerged from the more than 540-page bill, he said.

Republicans are looking for any way to saddle students with more debt I NBC (Alexis Goldstein)
As a society, we promise that education is the key to a better life. But fulfilling that promise requires that institutions of higher education are held accountable, and that there are protections in place to guarantee that education doesn't lead to a lifetime of indebtedness.

Rep. Virginia Foxx, R-Va., the chair of the House Education and the Workforce Committee, introduced a bill last week that fails on all counts, and instead sells out students to corporate interests ready to get rich off taxpayer-backed education dollars.

See statement by **Americans for Financial Reform**

Will DeVos Turn Over Policy to Earth's Most Entitled People? I Huffington Post (David Halperin)
This mind-set makes these for-profit college officials the most entitled group I've ever observed. Many for-profit colleges get 80 percent, 90 percent, and even more of their revenue directly from federal taxpayers through student grants and loans — because so many of the students they enroll are low-income people eligible for federal student aid, or military troops and veterans who earn education benefits.

Collectively the industry has received as much as $32 billion in a single year from the federal government. One company, the operator of the University of Phoenix, has taken in as much as $2 billion in a year. For-profit colleges you've never heard of have been getting hundreds of millions more.

Sending all that money to this industry, taxpayers have a right to expect that the schools will avoid serious waste, fraud, and abuse.

Military veterans are being targeted by an industry 'infamous for saddling people with debt and useless degrees' I Business Insider
Military veterans are particularly at risk to slackening regulations due to a funding loophole. For-profits are governed by a federal provision called the "90-10" rule which mandates that for-profit colleges cannot receive more than 90% of their revenues from federal student aid from the Department of Education (ED).

But funds from the US Veterans Affairs Office (VA), a federal agency, do not count in the 90% category. That means, in theory, if a for-profit receives the full 90% from the ED and the remaining 10% from the VA, it could operate entirely on federal money.

House Republicans Want to end Student Loan Forgiveness for Public Interest Jobs I The Intercept

SYSTEMIC RISK

U.S. Regulators Offer Congress Olive Branch on Loans I NY Times
U.S. regulators said they are open to revising restrictions on leveraged lending, offering an olive branch to a GOP-controlled Congress keen to roll back banking regulations. The three main U.S. bank regulatory agencies, in recent letters seen by Reuters, said they could revisit the guidelines they put in place in 2013. Critics say those guidelines have hampered business, and members of Congress started pressing for a rollback shortly after Donald Trump's inauguration as president. In theory, the guidelines prevent banks from loaning money when doing so would put the borrower's leverage at six times or higher, or for companies that could not quickly pay down debt. They were broadly intended to prevent the kind of egregious and wanton lending widely seen as contributing to the last global financial crisis.

Force NCUA to Repeal Risk-Based Capital Rule: MIT Credit Union CEO I Credit Union Times
Marcus Stanley, policy director of **Americans for Financial Reform**, said that the NCUA must ensure that credit unions are well-capitalized. “Any significant losses on insured deposits due to credit union insolvency would trigger the need for solvent credit unions to pay significant amounts into the insurance fund, and/or create public exposure that could require greater government resources from taxpayers,” he told the subcommittee.

Bank Failure Could Still Spark Crisis, Treasury Researcher Says I Wall St. Journal
The failure of a large financial institution could still set off or magnify a crisis, according to a report published Tuesday by an independent arm of the U.S. Treasury Department… Of particular concern is whether insolvent banks would be able to deal with their derivatives portfolios, an issue that helped exacerbate the 2008 financial crisis. A key risk, the report found, is the simultaneous failure of multiple global systemically important banks, a regulatory classification that includes major firms like Citigroup and JPMorgan Chase & Co.

"It is doubtful that more than one G-SIB could be restructured and released from [Federal Deposit Insurance Corp.] oversight — much less be wound down — quickly enough to stabilize the U.S. financial system," the report said.

[Top regulator shifts focus to easing rules](#) I PoliticoPro
[The Financial Stability Oversight Council] is made up of U.S. financial regulatory heads and chaired by Treasury Secretary Steven Mnuchin… As its name suggests, the FSOC is tasked with monitoring risks to the financial system… But senior Treasury Department officials stressed to reporters that the council — created as an uber-regulator in the Obama-era Dodd-Frank law — is also obligated to protect the integrity, efficiency and competitiveness of U.S. financial markets.

Luetkemeyer proposal to repeal Dodd-Frank threshold heads to floor I PoliticoPro

U.S. Regulators Consider Revising Leveraged-Lending Guidelines I Wall St. Journal
U.S. banking regulators have told Congress they are considering reissuing guidelines that were the basis for a crackdown on leveraged lending. The Federal Reserve, Office of the Comptroller of the Currency and Federal Deposit Insurance Corp. in letters to Rep. Blaine Luetkemeyer (R., Mo.), a senior member of the House Financial Services Committee, said they may revise and reissue for public comment a 2013 policy document laying out lending standards for leveraged loans to highly indebted companies.

TAX BILL AND TAX ISSUES

Wall Street's War on Workers I Medium.com (Sen. Sherrod Brown)

IRS commish is tax dodging expert, could help save Mercer $7B I Daily Beast (Betsy Woodruff)
An attorney whose accounting firm helped clients avoid paying billions in taxes is poised to take control of the Internal Revenue Service. It's an ironic backstory for the man who Donald Trump named to be the nation's tax-collector-in-chief. But nonetheless, on Monday, a little-known Treasury Department official named David Kautter will become interim IRS commissioner.

It's unusual for an IRS commissioner to have experience running the tax practice of a Big Four accounting firm that helped clients fleece the IRS of over $2 billion in taxes…

Kautter has some tough choices ahead of him. As the most powerful official at the IRS, he may have to sign off on any deal that gets made between the agency and the hedge fund long helmed by billionaire Robert Mercer, one of President Donald Trump's most generous donors. Bloomberg reported last month that the hedge fund is negotiating with the IRS over a tax bill that may top $7 billion. And The Daily Beast reported that the head of the IRS is all but certain to sign off on any agreement of that size.

OTHER TOPICS

[Financial regulator's conflicts of interest are a serious concern](#) **I The Hill (Andrew Stoltmann & Benjamin Edward)**
Financial regulation often seems complicated, and the public tends not to care because we may lack context to grasp all of the issues at stake. Still, there is one issue that the public understands: Financial regulators should not take money from the firms under their supervision.

This clear governance principle has not been important for public representatives at the quasi-governmental Financial Industry Regulatory Authority (FINRA). Some of these individuals now have incentive compensation plans from financial services firms.