AFR Americans for Financial Reform

This Week in Wall Street Reform | Feb 10 – 16

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THE TRUMP ADMINISTRATION, CONGRESS AND WALL STREET

Gambling With Main Street | Coalition for Sensible Safeguards (Bartlett Naylor)
Bludgeoned by the financial crash of 2008, ten years later, Americans still understand the importance of strong Wall Street rules. Yet, the U.S. Senate is expected to soon vote on a major bill –S. 2155–that disturbingly rolls back financial protections put in place to protect against another collapse. Most troubling, 11 Democrats and Independent Sen. Angus King (Maine) endorse the measure, elevating chances this will become law.

After unifying to defend the Affordable Care Act and contest the corporate tax cuts (which benefits banks more than most industries), it's dispiriting that Democrats are joining with Trump's goals to effectively "do a number on Dodd-Frank," referring to the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act.

Sens. Sasse, Jones Sign on to Bipartisan Regulatory Reform Bill | ABA Banking Journal

CONSUMER FINANCE AND THE CFPB

Consumer protection bureau losing its teeth | USA Today
For nearly seven years since it began, the federal government's first agency dedicated to protecting consumers fought successfully to prevent rip-offs by credit card and loan issuers, debt collectors, payday lenders and other big financial players.

Now, in less than three months, Mick Mulvaney, the acting director named by President Trump, is dismantling the Consumer Financial Protection Bureau (CFPB) piece by painful piece.

Mulvaney, who also has a demanding day job as the White House budget director, is doing just what many Republicans and their business allies have long wanted, reining in the only federal agency that has stood up for the little guy, collecting nearly $12 billion compensation for them from financial scammers.

Under Trump, consumer protection grows so weak you won't recognize it | Dallas News (Dave Lieber)
This week, NPR reported that Mulvaney decided to drop the bureau's lawsuit against a payday lender who charged customers up to 950 percent in interest. The lender, Golden Valley Lending, claims that because it operates under tribal laws, it doesn't have to follow U.S. lending laws.

Texas lawmakers are leading the demise of the bureau. Sen. Ted Cruz introduced a bill to close the bureau. U.S. Rep. John Ratcliffe, R-Heath, did the same in the House.

Soon-to-retire U.S. Rep. Jeb Hensarling, R-Dallas, head of the House's powerful Financial Services Committee, is clear that he hates the bureau. Hensarling is a water boy for the money interests. OpenSecrets.org reports Hensarling's campaign committees have accepted $1.5 million since 2013 from commercial banks, finance and credit companies. In the past year alone, they gave his campaign funds a quarter of a million dollars. And he's not even running for re-election.

Mulvaney's CFPB Doesn't Want to Keep Arguing Over the Agency's Structure | National Law Journal
The Consumer Financial Protection Bureau is moving to stop at least two companies from continuing to argue that enforcement actions should be dismissed based on an alleged defect in the agency's power structure.

Defense lawyers for the companies—the mortgage loan servicer Ocwen Financial Corp. and All American Check Cashing Inc.—had raised constitutional claims that challenged the authority of Richard Cordray, the Obama-appointed director of the agency.

The Trump administration is trying to undermine the CFPB. It will fail. | Washington Post (Richard Cordray)
[W]hile the current outlook may seem dark, I have faith in the future of the CFPB and its work on behalf of consumers. It is an agency born out of the financial crisis and anchored in principles of fairness and economic opportunity for all. It fulfills a vital role, not just by ensuring justice for people who are wronged but also by showing all Americans that their government can fight for them and not for the entrenched special interests...

In big cities and small towns, red states and blue states, Americans feel the vital importance of a government that will hold people accountable when they do wrong. They understand that Wall Street cannot be left to police itself. And they know key decisions should be made in the public interest, not sold to the highest bidder. That is why, even at times such as these, I am confident that the CFPB and its mission will live on long after Trump has left office.

The Constitutionality of an Independent CFPB – What the Second Circuit Said | AFR blog (Jim Lardner)

American consumers need a champion | The Hill (Terrell Mcsweeny)
In its first year, the Trump administration eliminated consumers' choices and control over how sensitive personal data are collected and used, rolled back net neutrality regulations that protect the open Internet, froze programs to allow defrauded students to wipe out their student loans, stopped rules to protect people from abusive mandatory arbitration agreements, shutdown enforcement against discriminatory lenders, and weakened protections for children exposed to toxins. And on the 10th anniversary of the start of the financial crisis that devastated the housing market and the savings of millions of Americans, Trump's new director of the Consumer Financial Protection Bureau—the agency in charge of consumer protection in the financial

sector—announced he will stand down the agency's enforcement against the abusive practices that contributed to the crisis in the first place.

CFPB requests information on its supervision processes | Housing Wire
The Consumer Financial Protection Bureau has been on a mission in recent weeks to find out the true effectiveness of its programs.

In order to accomplish this task, it has been sending out requests for input from the finance industry. The bureau announced it is seeking comments and information from interested parties to assess the effectiveness and efficiency of its supervision program. The agency asks whether any changes to the program would be appropriate.

Mulvaney: I am not 'gutting' the CFPB | Mortgage Professional America (Ryan Smith)
Mulvaney, the acting director of the CFPB, has faced criticism from many quarters for having a lighter regulatory hand than his predecessor, Richard Cordray. A Feb. 2 article on the Money Magazine website accused Mulvaney of gutting the agency. The article pointed to a change in the CFPB's mission statement following Mulvaney's appointment as acting director: the addition of the phrase "identifying and addressing outdated, unnecessary, or unduly burdensome regulations" to its list of goals.

The CFPB's Declaration of Dependence | Propublica (Jesse Eisinger)
The story the staffers tell reveals not just a drastic shift in philosophy; it's an anatomy of a bureaucratic immobilization — one more often accomplished by well-placed monkey wrenches than by a change of laws…

In at least one instance so far, Mulvaney has overruled his staff on an enforcement case. In mid-January, the CFPB voluntarily withdrew a case against four payday lenders. The bureau initially insisted the decision was made by staff attorneys — then confirmed to NPR that Mulvaney was involved. Mulvaney, who received significant contributions from payday lenders, made the decision over objections of the staff, according to a highly placed official within the agency. The official noted that state regulators are often out-gunned when trying to rein in high-cost lenders and need the CFPB's help. "We spent four years developing this theory," the official said, "and working really hard and checking our legal basis for it and coordinating with the states." Then, with no warning and no explanation to the outside world, Mulvaney's team ordered the bureau to dismiss the case.

Under Trump, Consumer Protection Agency Becomes Anti-Consumer | Inequality.org (Jake Johnson)
he Trump administration continued its relentless effort to defang the Consumer Financial Protection Bureau (CFPB) on Monday by proposing massive budget cuts to an already underfunded agency and releasing a new mission statement that completely abandons the bureau's previous commitment to protecting consumers from predatory corporations.

The CFPB's new five-year strategic plan—crafted by Trump budget chief and acting CFPB director Mick Mulvaney—replaces the agency's former number one goal of "prevent[ing] financial harm to consumers while promoting good practices that benefit them" with a vaguely worded pledge to "ensure that all consumers have access to markets for consumer financial products and services."

A Fresh Look At CFPB's Enforcement Process | Law 360

On Feb. 7, 2018, the Consumer Financial Protection Bureau published the latest in its growing series of requests for information, this one seeking comment on the bureau's enforcement process. As with earlier RFIs, the bureau recognizes that the enforcement process may impose burdens on regulated entities and is seeking information on how to improve enforcement processes while remaining faithful to the bureau's objectives and "ensuring a fair and transparent process for parties subject to [the bureau's] enforcement authority."

Congress Ratcheting up Pressure on Companies to Notify Consumers of Data Breaches Sooner | Forbes

Congress is ratcheting up pressure on companies to notify consumers earlier when their personal information such as Social Security and bank account numbers is stolen in data breaches.

But whether the jawboning turns into tough standards remains to be seen.

After a hearing on breaches today, an aide to House Financial Services Committee Financial Institutions Subcommittee Chair Blaine Luetkemeyer said a "discussion draft" of legislation to set national standards should be out soon.

Can the CFPB remain relevant? | Bankrate (Amanda Dixon)

Consumer advocates condemned the news about the Equifax probe and harshly criticized Mulvaney's decision to relocate the Office of Fair Lending, calling it an effort to undercut the work the CFPB has done to shield consumers from bias.

"These changes, by an improperly appointed acting director, threaten effective enforcement of civil rights laws, and increase the likelihood that people will continue to face discriminatory access and pricing as they navigate their economic lives," said Lisa Donner, executive director of **Americans for Financial Reform** in a press release.

The Trump administration has stated that this shift would help the bureau do its job, according to the Washington Post. The Office of Fair Lending's enforcement powers will be transferred to another division that handles multiple types of enforcement cases.

Mulvaney Takes Heat for Handling of Equifax Probe | Courthouse News Service

Mick Mulvaney, director of the Office of Management and Budget, continued to scale back regulatory efforts in the finance industry, so the Center for Responsible Lending held a media call Wednesday to address how Mulvaney's actions within the Trump administration could affect regulation of the payday lending industry.

The conference, hosted by the Center for Responsible Lending and **Americans for Financial Reform**, primarily addressed their assertion that Mulvaney "has turned the [Consumer Financial Protection Bureau] away from its mission of protecting families from abusive financial practices," including Mulvaney's backtrack on the Equifax probe, according to a press release Tuesday.

[Congress Should Correct CFPB's Willful Ignorance on Payday Lending](#) | Morning Consult (Rep. Dennis A. Ross)
Since Acting Director Mick Mulvaney announced his decision to review the Consumer Financial Protection Bureau's payday lending rule, detractors have demanded that he explain himself. Fortunately, the flimsy research underpinning the rule in the first place reveals that no explanation is needed. The evidence shows that CFPB's haphazard conclusions led to a rule that, if left in place, will destroy over 60,000 American jobs and cut off an important credit option for 12 million consumers.

Mick Mulvaney has ignited a firestorm to rein in the CFPB | The Hill (Eric Grover)

Payday lending is illegal in NC. Some fear a new bill could allow it back in the state | The News & Observer (Brian Murphy)
North Carolina's ban on payday lending could be upended by a bill being pushed by a powerful congressman from the state, consumer protection advocates warned before it passed the House on Wednesday.

But Rep. Patrick McHenry, a Republican member of House leadership from Denver, North Carolina, said the Protecting Consumers' Access to Credit Act is not what its critics contend and is designed to help Americans with poor credit.

Payday loans: Relief or bondage? | Indianapolis Recorder (Brandon A. Perry)

Ferraris, homes, jewelry in play in KC payday loan case as judge seeks $3.5 billion | Kansas City Star
A federal judge appears likely to enter a forfeiture order of $3.5 billion against convicted felon Scott Tucker of Leawood, Kan., as part of his sentence for his illegal payday lending scheme.

A preliminary order entered late Tuesday by U.S. District Court of Southern New York Judge Kevin Castel indicates that $3.5 billion represents the gross proceeds Tucker's payday lending businesses made from 2008 to 2013. A final order is expected later this year.

Tucker was convicted in October of several criminal charges related to a payday lending enterprise that charged exorbitant interest rates and duped consumers with deceptive loan terms. Tucker was the most prominent among several Kansas City businessmen, where payday lending is big business for both lenders and investors for these operations, who made millions from illegal lending enterprises. Some of them have been pursued by regulatory and criminal authorities.

U.S. Bancorp to pay $613 million for lack of anti-money laundering checks | The Hill
U.S Bancorp, the parent company of U.S. Bank, will pay more than $613 million in fines and penalties to federal regulators over a failure to comply with anti-money laundering (AML) laws. U.S. Bancorp will pay a total of $613 million for a lack of sufficient checks to ensure the bank was adhering to the Bank Secrecy Act and laws meant to weed out illicit finance. The company will forfeit $528 million in profits and pay fines to three federal agencies: $15 million to the Federal Reserve Board, $75 million to the Office of the Comptroller of the Currency (OCC) and $185 million to the Treasury Department's Financial Crimes Enforcement Network.

U.S. Bancorp to pay $613 million for money-laundering violations | Reuters
As part of the settlement, U.S. Bancorp agreed to forfeit $453 million and to pay fines to the Treasury Department, the Office of the Comptroller of the Currency and the Federal Reserve, the Justice Department said in a statement.

It said that the bank, through its subsidiary U.S. Bank National Association, deliberately ran an inadequate anti-money-laundering program from 2009 to 2014. U.S. Bancorp failed to detect large numbers of suspicious transactions and concealed its missteps from regulators, it said.

"We regret and have accepted responsibility for the past deficiencies in our AML (anti-money-laundering) program. Our culture of ethics and integrity demands that we do better," President and Chief Executive Andy Cecere said in a statement.

Lawyers don't need special protection to work as debt collectors | Kansas City Star (Terry Lawson)
Congress is considering a bill that has been titled a "technical clarification" for the practice of law. Sounds quite innocent and humdrum, doesn't it? But the true aim of the bill is much worse. It intends to shield debt collection lawyers from the very laws that outlaw unfair debt collection practices.

This bill, called the Practice of Law Technical Clarification Act of 2017 is not what it sounds like. It is a blatant attempt to give a free pass to debt collectors who happen to be lawyers.

BB&T Bank Ends Flat-Rate Dealer Compensation Program | Auto Finance News
BB&T and BMO Harris Bank were the only two lenders to switch to a flat-fee dealer compensation model following a string of consent orders to other lenders in the space from the Consumer Financial Protection Bureau. The consent orders looked to reign in the disparate impact of discrimination abuses in the industry, in part, by capping how much dealers could increase the interest rate on — or "mark up" — a deal. Dealers, in turn, can make a profit off the difference between how much a loan is marked up and the lower rate the consumer was actually approved for by the lender.

Adventures In Administrative Law | Power Line Blog (Scott Johnson)
The Consumer Financial Protection Bureau represents the reductio ad absurdum or ne plus ultra of the administrative regime. It is a constitutional monstrosity. Its funding is insulated from Congress. Its director is to wield virtually dictatorial powers to promulgate law. The legal structure of the CFPP is designed precisely to insulate it from political accountability. It is a design better suited for a government of unlimited powers conducive to tyranny rather than to a government of limited powers conducive to freedom. One wonders if the Supreme Court will ever return to first principles or set some limits on how far the agencies can be removed from political accountability. That would be a beginning. The decisions of the Supreme Court beginning in the New Deal era and continuing to date require us to find our way to a new beginning.

Mulvaney Cuts CFPB Fair Lending Office's Enforcement Power | Law 360 (Jon Hill)
Consumer Financial Protection Bureau Acting Director Mick Mulvaney said Tuesday that a key agency office tasked with policing lenders for compliance with anti-discrimination laws will lose

its enforcement duties and be brought under the purview of his office, a move that is sparking criticism from consumer advocacy and civil rights groups.

In an email sent to all CFPB staff, Mulvaney announced that the Office of Fair Lending and Equal Opportunity will vacate its current spot in the CFPB's Supervision, Enforcement and Fair Lending division.

For Lisa Donner, the executive director of **Americans for Financial Reform**, the OLFEO changes send a "troubling message about the enforcement of civil rights laws and will harm people — especially in communities of color."

DERIVATIVES, COMMODITIES AND CFTC

Investors Warned of Cryptocurrency 'Pump-and-Dump' Schemes | Wall St. Journal
Regulators on Thursday warned consumers to beware of "pump-and-dump" manipulation schemes in virtual-currency markets as they try to rein in misconduct on unregulated spot exchanges. The guidance from the Commodity Futures Trading Commission targets schemes that rely on coordinated efforts to create phony demand for cryptocurrencies, followed by schemers quickly selling their stakes to take advantage of the inflated prices. The CFTC advisory is part of a broader consumer-education effort related to virtual currencies such as bitcoin, which have seen a swell of interest from retail investors in recent months.

Should Congress Create a Crypto-Cop? | NY Times (Peter J. Henning)
Cryptocurrencies like Bitcoin and Ether have seeped into the public consciousness. Colleges including Duke and the Massachusetts Institute of Technology are offering classes in the blockchain technology that undergirds these virtual currencies to crowds of eager students. The mania has also gotten the attention of regulators at the Securities and Exchange Commission and the Commodity Futures Trading Commission. But both can only look on — perhaps in horror — at what is happening. Laws adopted decades ago give the two regulators little authority to engage in oversight of the burgeoning market in cryptocurrencies. That may change if Congress can muster the political will to extend the oversight responsibilities of two agencies it has been rather hostile to in recent years. A better way may be to create a new agency — one that does not carry the baggage that the S.E.C. and C.F.T.C. do on Capitol Hill and that does not try to put the square peg of cryptocurrencies in the round holes of securities and commodities trading. At a recent hearing of the Senate Banking, Housing and Urban Affairs Committee, Jay Clayton, the chairman of the S.E.C., and J. Christopher Giancarlo, the chairman of the C.F.T.C., spoke about their limited power to regulate the use of cryptocurrencies.

INVESTOR PROTECTION, THE SEC, AND RETIREMENT SAVINGS

SEC Rejects Sale of Chicago Stock Exchange | Wall St. Journal
The Securities and Exchange Commission on Thursday rejected the sale of the Chicago Stock Exchange to a group that would have included Chinese investors, capping a two-year battle over a deal that sparked political opposition in Congress. The SEC's commissioners voted against the transaction six months after the agency's staff recommended approving the sale. The decision is a rare move by the SEC to choose who isn't allowed to control a U.S. stock

exchange, even one that handles less than 1% of trading volume. Critics of the sale, including lawmakers from both parties, said letting a Chinese company take a major stake in a U.S. stock exchange would create a backdoor for the Chinese government to influence American financial infrastructure. The Chicago company repeatedly said the Chinese government wasn't involved in the deal, but a political fight erupted that prompted two of the initial Chinese investors to withdraw from the group in October.

Massachusetts Accuses Scottrade of Fiduciary Rule Violations | Wall St. Journal
Massachusetts' top securities regulator has accused discount brokerage firm Scottrade Inc. of violating the U.S. Labor Department's fiduciary rule, the latest example of states stepping in as the federal government rethinks the retirement-savings regulation. Scottrade, now a unit of TD Ameritrade Holding Corp. AMTD -0.14% , "knowingly violated the firm's impartial conduct standard" by holding at least two sales contests that affected retirement assets after the fiduciary rule went into partial effect June 9, 2017, Secretary of the Commonwealth William Galvin said Thursday. Mr. Galvin alleges "dishonest and unethical activity and failure to supervise."

House Votes to Require SEC Subpoena for Traders' Source Code | Bloomberg
The House voted Wednesday to ensure the U.S. Securities and Exchange Commission would continue to have to seek a subpoena before accessing proprietary source code from high-frequency traders, the secret sauce that fuels profits.

Not just Kentucky: This week, we saw the real agenda behind pension push | Lexington Herald Leader (Tom Eblen)
Corporations have spent four decades taking traditional pensions away from most American workers. Now they and their allies want to do the same to school teachers and other public employees.

Kentuckians recently got a reminder that efforts to replace public employees' defined-benefit pensions with 401k-style defined-contribution plans are more about ideology than finance and are part of a national campaign by conservative activists.

Many members of the General Assembly were rightfully irritated when they were emailed a demand letter organized by the Pegasus Institute, a conservative think tank in Louisville. In order to protect taxpayers, the letter said, pension risk must be shifted to employees, "which can only be done by embracing the same structural reforms that were adopted by the private sector decades ago, moving all future employees from a defined-benefits system to a defined contributions system."

3rd Circuit Orders New Sentence for Simpson Thacher Staffer in Insider Trading Case | New York Law Journal

MORTGAGES AND HOUSING

Kept out: How banks block people of color from homeownership | Reveal (Aaron Glantz And Emmanuel Martinez)
Fifty years after the federal Fair Housing Act banned racial discrimination in lending, African

Americans and Latinos continue to be routinely denied conventional mortgage loans at rates far higher than their white counterparts.

This modern-day redlining persisted in 61 metro areas even when controlling for applicants' income, loan amount and neighborhood, according to a mountain of Home Mortgage Disclosure Act records analyzed by Reveal from The Center for Investigative Reporting.

The yearlong analysis, based on 31 million records, relied on techniques used by leading academics, the Federal Reserve and Department of Justice to identify lending disparities. It found a pattern of troubling denials for people of color across the country, including in major metropolitan areas such as Atlanta, Detroit, Philadelphia, St. Louis and San Antonio. African Americans faced the most resistance in Southern cities – Mobile, Alabama; Greenville, North Carolina; and Gainesville, Florida – and Latinos in Iowa City, Iowa.

How a law against redlining is spurring white gentrification | Money Watch
Jacobs, who is white, got a special home loan from New Jersey-based TD Bank that is designed to help low-income people and blighted neighborhoods, where banks are required to lend under the landmark Community Reinvestment Act of 1977. The law was designed to correct the damage of redlining, a now-illegal practice in which the government warned banks away from neighborhoods with high concentrations of immigrants and African Americans.

But the law didn't anticipate a day when historically black neighborhoods would be sought out by young white homebuyers. So instead of lending to longtime black residents of Point Breeze, most of the loans there are going to white newcomers such as Jacobs.

Banks Still Need a Nudge to Be Colorblind | Bloomberg
The Treasury should stick to its stated aim of improving the CRA. Apply the law to all relevant lenders, conduct assessments in areas where those lenders actually do business, and publish examination reports that identify specific community-development investments, to show where the money is going and how it is being used.

Access to Safe, Decent and Affordable Housing Repaired | Electronic Urban Report (Charlene Crowell)
On February 2, a leaked Senate proposal to overhaul the secondary mortgage market's government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, would drop important access and affordability provisions that now govern the system. For example, the GSEs now are required to always serve all markets, as well as have in place affordable housing goals.

The proposal from U.S. Senators Bob Corker (TN) and Mark Warner (VA) was quickly and unanimously rejected by a broad coalition of civil rights and housing advocates that included: the Lawyers' Committee for Civil Rights Under Law, Leadership Conference on Civil and Human Rights, NAACP, UnidosUS (formerly the National Council of La Raza), National Coalition for Asian Pacific American Community Development, National Fair Housing Alliance, National Community Reinvestment Coalition, National Urban League, and the Center for Responsible Lending (CRL).

"Ten years after the 2008 Housing Crisis, it is disheartening to turn the secondary mortgage market back over to Wall Street," wrote the coalition. "Who can forget the 7.8 million completed home foreclosures and trillions of dollars in lost family wealth?"

Industry Praises House Passage of TRID Improvement Bill | RisMedia (Suzanne De Vita)
The housing industry is applauding the House passage of the TRID (TILA-RESPA Integrated Disclosure) Improvement Act of 2017 (H.R. 3978) that aims to correct the disclosure of title insurance premiums, which are inaccurate in the majority of states. The bill, which was made part of a larger package, was passed on Wednesday.

"Although the bill has been made part of a larger legislative package, the genesis of the bill is about improving transparency and making sure consumers receive disclosures that accurately show the cost of the one-time fee that protects their property rights," said Michelle L. Korsmo, CEO of the American Land Title Association (ALTA), in a statement. "Our research shows that 40 percent of consumers feel confused by the CFPB's requirement to provide inaccurate pricing on title insurance. We're thankful for Representative French Hill championing a straightforward fix that benefits consumers across the country. This isn't about limiting Dodd-Frank. We're eager to get this bill introduced and passed in the Senate and eliminate the inconsistencies in mortgage documents that cause confusion for consumers."

See AFR letter opposing HR 3978.

STUDENT LOANS AND FOR-PROFIT COLLEGES

We Must Cancel Everyone's Student Debt, for the Economy's Sake | New York Magazine (Eric Levitz)
Late last year, congressional Republicans passed a $1.5 trillion tax cut, which delivered the lion's share of its benefits to the wealthy and corporations. The GOP did not justify this policy on the grounds that all corporate shareholders and trust-fund hipsters deserved to have their wealth increased. Rather, the party argued that, however one felt about making the rich richer, the tax cuts would ultimately benefit *all* Americans by increasing economic growth and lowering unemployment.

But what if we could have achieved those objectives, at roughly the same price, by forgoing tax cuts — and wiping out every penny of student debt in the United States, instead?

A new research paper from the Levy Economics Institute of Bard College suggests this was, in fact, an option.

Job-training programs at for-profit colleges actually make students worse off | Market Watch (Jillian Berman)
Students who attend programs at for-profit colleges with hopes of training for a career appear to end up worse off than if they never moved on to higher education at all.

After attending certificate programs at for-profit colleges, which train workers for specific jobs like working in heating and air conditioning, cosmetology and culinary arts, students on average earn too little in the labor market to pay off their debts. That's according to a forthcoming study in the Journal of Human Resources from economists at George Washington University and the Federal Reserve Board of Governors.

Beauty School Graduates Sue DeVos Over Student Loan Discharge Denials | Student Loan Hero (Kat Tretina)
In 2016, the Department of Education denied Marinello Schools of Beauty and several other for-profit schools eligibility for federal student aid. In response, all 56 beauty school campuses were shut down, leaving thousands of students scrambling to find a path forward.

Some students were able to eliminate their student loans through closed school discharge. However, others were unable to do so. The lawsuit claims the Department of Education wrongfully denied three students' application for student loan discharge and that they are now unable to repay their debts.

If you're affected by the closure of Marinello Schools of Beauty, here's what you need to know about the lawsuit and how it could impact you.

SYSTEMIC RISK

Shaping financial rules helps Main Street banks, not Wall Street firms | The Hill (Karen Kerrigan)
Treating regional banks and Wall Street banks the same has caused more harm than benefit, especially because these specific rules do not make the financial system safer. Tailoring regulations, not one-size-fits-all, is a sound step towards a stronger financial system and an environment that encourages lending and capital formation. Thankfully, there is solid bipartisan support in the Congress to make these rational changes. Now, they just need to get it done.

Prudential pushes Trump officials to loosen oversight | The Hill
The sole insurance company subject to stricter federal oversight under the Dodd-Frank Act is pushing Washington to set it loose. Prudential Financial is asking an interagency group of regulators to strip its designation as a "systemically important" nonbank financial institution. The insurance company insists it should have never been grouped in with the banks and financial firms that helped tank the economy in 2008, and says its business has only grown safer and stronger. Prudential has enlisted a team of Washington lobbyists to push the company's case as the Trump administration takes aim at the rules the company is fighting.

TAXES

Treasury to issue guidance to prevent hedge fund managers from exploiting tax law | The Hill
Treasury Secretary Steven Mnuchin said that his department will issue guidance to prevent hedge fund managers from exploiting the tax law's new limits on the carried interest tax break. Carried interest is the profit investment managers get for performing the service of managing funds. Under federal tax law, it can be taxed at lower capital gains rates rather than ordinary income rates. President Trump said during his campaign that he wanted to eliminate the carried interest tax break, but the tax law he signed in December didn't do that. The new law requires investments to be held for at least three years to get the capital gains rate, however, instead of

at least one year under the old law. That longer holding period doesn't apply if carried interest is held by a corporation rather than an individual. Bloomberg reported on Wednesday that hedge fund managers are looking at exploiting the new provision by trying to put their carried interest into S-corporations so that they don't have to hold the investments for three years to get the tax break.

OTHER TOPICS

[What Pawlenty accomplished in 5 years as Wall Street's man in Washington](#) | MinnPost (Sam Brodey)
For over five years, Tim Pawlenty was among the most prominent of Washington's platinum card guys: after two terms as governor of Minnesota and a brief run for the Republican nomination for president in 2012, Pawlenty became the CEO of the Financial Services Roundtable, the organization that lobbies in D.C. on behalf of the country's largest and most powerful banks and financial institutions.

With an annual budget of around $20 million, the FSR serves as the most influential D.C.-based group pushing for policy friendly to Wall Street. Its political action committee doles out hundreds of thousands of dollars worth of campaign contributions each cycle to support lawmakers who support its agenda of deregulating the financial sector and lowering taxes for banks and businesses.