AMERICANS FOR FINANCIAL REFORM

THIS WEEK IN WALL STREET REFORM
February 8 – 14, 2014

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CONSUMER FINANCE AND THE CFPB

'Unaccountable Bureaucracy' Wins High Marks From Public
Susan Antilla, The Street, 2/1/314
"Next time you're on a rant about official Washington's indifference to the interests of everyday citizens, take heart that some politicians are serious about going after the bad guys. The House Committee on Financial Services took its investigation of 'an unaccountable new government bureaucracy'" – the CFPB – "straight to the people on Jan. 27, devoting a new section of its Web site to gathering dirt on a bogeyman that's menacing borrowers and homebuyers… In other words, the committee that operates under Texas Republican Jeb Hensarling is on a mission to protect you from an agency that's actually protecting you…

"**Americans for Financial Reform** commissioned a poll last summer to see what the public's impression was of the agency. Forty-nine percent strongly favored the CFPB, 31% 'somewhat favored' it and only 13% said they opposed having an agency for consumers. "'Eventually, the legislators who have acted this way are going to realize how wildly out of touch they are with their own constituents," said [AFR's Jim] Lardner. "They're running the risk of being seen as pawns of Wall Street and slippery lenders.'"

Courthouse 'Rocket Dockets' Give Debt Collectors Edge Over Debtors
Maria Span, American Banker, 2/11/14
"The attorneys sat around tables in the front, some stationing themselves in the jury and witness boxes. Defendants retreated to the back benches to wait for their names to be called. Eventually, one of the plaintiffs' attorneys picked up Williamson's file and beckoned him up to what Maryland's district courts refer to as his 'resolution conference'. Consumer advocates have another name for them: rocket dockets.

"At first glance these sessions resemble legally mandated mediation: they take place in courtrooms and are administered by clerks and uniformed bailiffs. Attorneys from the Pro Bono Resource Center of Maryland, a local legal aid service, monitor the proceedings and offer some defendants assistance. A court interpreter is often on hand to help non-English-speaking debtors. What's missing is a judge or other neutral moderator. Whether debtors realize that — and that they have no legal obligation to sit down with their debt collectors — is a hotly debated topic."

White House, Republicans Tangle Over CFPB
Michael R. Crittenden, Wall Street Journal, 2/10/14

Congressman: CFPB Is Practicing "Gestapo-Style" Data Collection
Emma Roller, Slate.com, 2/11/14
“Rep. Dan Webster (R-FL) is not a fan of the Consumer Financial Protection Bureau… At a House Rules Committee hearing, he compared the CFPB to the Gestapo: "’So this is far more than the NSA… This is more than just NSA-style, this is more Gestapo-style collection of data on individual citizens who have no clue that this is happening.’

“The hearing concerned a bill that would, among other things, require the CFPB director ‘to consider a rule's impact upon the financial safety or soundness of an insured depository institution.’ In other words, the bill they were discussing has little to do with data collection, but was a great excuse for House GOP members to harp on Elizabeth Warren's brainchild.”

House to Take Another Swing at Dodd-Frank Reform
Pete Kasperowicz, The Hill, 2/7/2104

Carney Criticizes House Republicans Over CFPB Bill (Video)
Bloomberg, 2/10/14

How to Navigate the Murky World of Credit Scores
Jean Chatzky, Fortune, 2/11/14
“Some consumers already know they have more than one credit score. Many believe they have three -- one based upon the credit reporting data from each of the major credit bureaus: Experian, TransUnion and Equifax (EFX). In fact, says John Ulzheimer, education expert at creditsesame.com, you have more than 50. (Yes, that's 50 -- as in five-oh.)”

Raj Date's Firm to Launch Subprime Credit Card
Kevin Wack, American Banker, 2/4/14
“The subprime credit card market, long down for the count, may finally be poised for a comeback. A team assembled by ex-regulator Raj Date is preparing to launch a plastic card for Americans who don't qualify for mainstream credit. Over the last five years, that segment of the market has been hollowed out by shifting economic forces and an overhaul of regulations.

“The fledgling credit card venture is owned by Fenway Summer LLC, a Washington-based advisory firm that Date founded after he left the Consumer Financial Protection Bureau a year ago. Date's team is partnering with a bank — the identity of which has yet to be revealed — that will issue the cards. Its goal is to start offering the product to consumers within six months or less.”

Are Subprime Cards Banking's New Frontier? (Video)
American Banker, 2/11/14

How Credit-Card Debt Can Help the Poor
Shaila Dewan, New York Times, 2/11/14
“It’s time that Americans learn how to save. Last year, we saved an average of 4.5 percent of household income — about half the historic rate — and most of that was concentrated among wealthier households. So it’s understandable that a number of groups are fixated on teaching the poor to save money. But a growing number of them are recognizing that to enter the economic mainstream, people also need good credit. (Even the post office has explored the possibility of modest banking and loan services for customers.) This can be a hard sell. ‘We’re fighting against the sentiment that you should cut up all your credit cards,’ says Ricki Granetz Lowitz, a director at the Local Initiatives Support Corporation.”

The Post Office Banks on the Poor
Mehrsa Baradaran, NY Times, 2/7/14
"Many will oppose the idea of a governmental agency providing financial services. Camden R. Fine, chief executive of the Independent Community Bankers of America, has already called the post office proposal 'the worst idea since the Ford Edsel.' But the federal government already provides interest-free 'financial services' to the largest banks (not to mention the recent bailout funds). And this is done under an implicit social contract: The state supports and insures the banking system, and in return, banks are to provide the general population with access to credit, loans and savings. But in reality, too many are left out.

"It wasn't always this way. In 1910, President William Howard Taft established the government-backed postal savings system for recent immigrants and the poor. It lasted until 1967. The government also supported and insured credit unions and savings-and-loans specifically created to provide credit to low-income earners."

15 Reasons Why the Post Office Should Stay Out of Banking
Jeanine Skrowronsk, American Banker, 2/11/14
"The U.S. Postal Service offering financial services to the underserved – a demographic in need of timely, accessible and congenial customer service – would be a great idea. If the U.S. Postal Service weren't, you know, the U.S. Postal Service. Behold some tweets illustrating its customer service is often just the opposite of timely, accessible and congenial."

Chamber to Push for More Formal Rules at CFPB in 2014
Kate Davidson, PoliticoPro (paywalled), 2/14/14
"Pushing for changes to the bureau's structure and governance is no longer a top priority, officials said on a conference call with reporters today. Rather, the Chamber's Center for Capital Markets Competitiveness will focus primarily on convincing the bureau to use an open, formal rulemaking process, especially when it comes to indirect auto lending and the bureau's new authority to go after 'abusive' practices.

"Though the CFPB has issued dozens of formal rules — many of them required under the 2010 Dodd-Frank law — critics have said it relies too often on enforcement actions or informal supervisory guidance to send signals to the industry. Institutions must try to interpret one-off actions to figure out what CFPB expects, and the uncertainty is leading some of them to stop offering certain products or services, said David Hirschmann, the center's president and CEO.

"Read the full letter the Chamber sent to CFPB today."

Federal Reserve Inspector General to Probe Spiralling Building Renovation Costs at CFPB
Richard Pollock, Washington Examiner, 2/14/14
"Federal Reserve investigators want to know why renovation costs for the Consumer Financial Protection Bureau's headquarters building have soared to more than three times the original estimate, the *Washington Examiner* has learned.

"'We have received a request ... to conduct a review of the CFPB's renovation project. We have agreed to conduct such a review,' a spokesman for the Federal Reserve inspector general said. The request came from Rep. Patrick McHenry, chairman of the House Financial Services Committee's subcommittee on oversight and investigations. The North Carolina Republican's request followed a stormy Jan. 28 oversight hearing with CFPB Director Richard Cordray.

Chamber of Commerce Wants Clearer Road Map for Car Loans
Alan Zibel, Wall St. Journal, 2/13/14

Credit, Debit Cards with Chips Remain Vulnerable to Fraud
Danielle Douglas, Washington Post, 2/13/14

Consumer Agency Seeks to Break the Logjam in Financial Education
Dan Kadlec, Time, 2/10/14
"The CFPB is calling upon "service providers, financial institutions, policy makers, and funders" in the area of financial education to build "a growing body of rigorous evidence of what works." The agency's office of financial education will then use the data to broadly proscribe programs and strategies with a proven track record. The immediate goals are to:

- "Determine how to measure financial well-being.
- "Identify the skills and habits of money smart consumers.
- "Evaluate existing programs and determine how to improve them."

What Sunshine for Student Financial Products Can Show Us
Rohit Chopra, CFPB, 2/13/14
"Recently, we alerted financial institutions about the potentially risky practice of not readily disclosing arrangements with colleges and universities to market bank accounts, prepaid cards, debit cards, and other financial products to students. Director Cordray called on financial institutions to voluntarily make these agreements available on their websites.

"According to a survey of school officials, 69 percent of debit card agreements are already available to the public, since many contracts with public colleges and universities are subject to state open records laws. We identified agreements available in the public domain by checking state open records databases and other websites where agreements were disclosed…"

DERIVATIVES, COMMODITIES AND THE CFTC

Reformer Supports CFTC SWAPs Negotiation With Caveats
Mark Melin, ValueWalk, 2/13/14
"When the U.S. Commodity Futures Trading Commission announced an agreement with European participants to allow over the counter (OTC) SWAPs trading on foreign exchanges… those knowledgeable of the vast power behind the largest Wall Street bank's lobbying machine were skeptical… But is this negotiated exemption bad for market protection?

"'The CFTC exemption does include important positive elements,' noted Marcus Stanley, in a statement from **Americans for Financial Reform**. 'The exemption requires that European trading platforms follow the most important rules binding U.S. SEFs in order to quality for relief. These requirements are specific, not just statements of broad principle, and have to be enforced through rules of the home country regulator, not through informal agreements with the exchange…'

"'We generally don't favor letting foreign exchanges without registering as U.S. SEFs, but given that the CFTC permitted this it is important that they did include some real protections for the U.S. financial system in their requirements for foreign regulation,' said Stanley in an interview with ValueWalk. 'That is a positive step. They need to enforce those requirements, and going forward if there are any future cases where they permit foreign regulatory oversight of derivatives impacting the U.S. economy, they need to continue include strong and specific protections to ensure that the foreign entities truly match or exceed U.S. standards.'"

(See **AFR Statement** on position limits.)

CFTC Is Set to Ease Rules on Trading Swaps Overseas
Andrew Ackerman and Kate Burne, Wall Street Journal, 2/10/14
"The Commodity Futures Trading Commission is preparing to ease restrictions on swaps trading overseas, according to people familiar with the matter, a move that could shift some trading abroad as banks and other firms look for ways to circumvent tough U.S. rules…

"Critics say the agreement will encourage banks to move more swaps trading overseas to escape strict U.S. regulations intended to bring more transparency to the opaque financial products. Swaps, which were at the heart of the 2008 crisis, are complex contracts that allow financial firms and their clients to hedge against risks or bet on an asset's value."

Wall Street Gets Three-Month Delay on Interest-Rate Swap Mandate
Silla Brush, Bloomberg, 2/10/14
"U.S. banks and other financial firms won a three-month delay for as much as half of the interest-rate swap market to meet a federal requirement to trade on platforms designed to increase competition and transparency.

"The U.S. Commodity Futures Trading Commission announced in a letter released today that trades consisting of multiple components won't need to be transacted on swap-execution facilities, or SEFs, until May 15. The agency said it hadn't ruled out further extending the new deadline in the Dodd-Frank Act requirement originally set to start Feb. 15."

EU Swaps Trading Platforms Win U.S. Rule Reprieve in CFTC Deal
Jim Brunsden and Silla Brush, New York Times, 2/12/14
"European swap-trading platforms won a reprieve from Dodd-Frank Act rules in a cross-border regulatory deal announced days before U.S. trading requirements are set to take effect.

"The U.S. Commodity Futures Trading Commission and European Union officials, in an agreement announced today, granted the European trading facilities relief from having to register in the U.S.…The international reach of CFTC rules has been among the most contentious issues between the Washington-based regulator and financial firms that operate around the world. Wall Street lobbying groups that represent banks including Goldman Sachs Group Inc. (GS) and JPMorgan Chase & Co. (JPM) sued in December, seeking to limit the agency's ability to impose rules outside the U.S."

ENFORCEMENT

2 Lawmakers Urge Fed to Change Its Enforcement Procedures
Peter Eavis, New York Times, 2/12/14
"Senator Elizabeth Warren of Massachusetts and Representative Elijah E. Cummings of Maryland, both Democrats, are recommending that the Fed's board of governors formally vote on significant enforcement actions. They made this request in a letter sent on Tuesday to Janet Yellen, the new chairwoman of the Fed…

"Last year, substantial flaws emerged in a $9.3 billion settlement that the Fed and the Office of the Comptroller of the Currency struck with 13 financial firms over allegations that they mishandled foreclosures during the housing bust. A government report later criticized the way that regulators had designed the foreclosure review and the consultants who carried it out. "

Senate's Warren Pushes Fed to Require Board Votes on Bank Fines
Cheyenne Hopkins, Bloomberg, 2/12/14
"Warren and Cummings said the Fed should hold a formal vote of the Board of Governors before entering into any enforcement order that is for $1 million or more or include a requirement that a bank officer be removed, new management be installed or both. The proposal is likely to be addressed when Yellen appears tomorrow before the Senate Banking Committee, which includes Warren."

Public Interest Group Sues Justice Dept. Over JPMorgan settlement
Jim Puzzanghera, Los Angeles Times, 2/10/14
"A public interest group on Monday sued the Justice Department over last year's record $13-billion settlement with JPMorgan Chase & Co., arguing the deal to resolve investigations into faulty mortgage investments was unconstitutional because courts did not review it...

Better Markets Inc., which has been critical of Wall Street and regulators in the aftermath of the financial crisis.. said that Atty. Gen. Eric H. Holder and other top Justice officials should not have been allowed to give JPMorgan "blanket civil immunity for years of alleged pervasive, egregious and knowing fraudulent and illegal conduct that contributed to the 2008 financial crash and the worst economy since the Great Depression."

Lawsuit No Way to Challenge JPMorgan's $13 Billion Settlement
Daniel Fisher, Forbes, 2/11/14

SEC's Losing Streak in Court Puts Agency in Spotlight
Peter J. Henning, New York Times, 2/10/14
"The S.E.C. is a bit like the New York Yankees, because every defeat is magnified, so we should be careful not to read too much into the anecdotal evidence as garnered by the results of a few recent trials…

"The S.E.C.'s authority extends to civil actions, which require a lower burden of proof than the higher criminal standard of proof beyond a reasonable doubt. Nevertheless, it appears that in some recent actions – including the closely watched Mark Cuban case and ones involving accounting fraud — the S.E.C. may have pushed too far in trying to prove fraud. And now that the agency has said it would be more aggressive in seeking admission of wrongdoing in some cases, the agency will face pressure to figure out how to avoid wasting its resources on losing efforts."

Free The Insider Traders: Stop Treating Market Efficiency Like A Crime
Doug Bandow, Forbes, 2/10/14

Ex-JPMorgan Traders Not Entitled to Case Evidence, SEC Says
Patricia Hurtado, Bloomberg, 2/10/14
"Two former JPMorgan Chase & Co. (JPM:US) traders accused in the U.S. of hiding more than $6.2 billion in losses in wrong-way derivatives bets aren't entitled to evidence collected by the government because both men are 'fugitives from justice,' the SEC said."

EXECUTIVE COMPENSATION

John Mack Says Wall Street Pay Debate Is `Healthy'
Bloomberg TV, 2/11/14

Ex-Morgan Stanley Chief Jams Foot in Mouth, Complains of CEO Abuse
Matt Taibbi, Rolling Stone, 2/13/14

FEDERAL RESERVE

Fischer Worth Up to $56.3 Million, Will Sell Assets to Join Fed
Joshua Zumbrun, Bloomberg, 2/6/14
"Stanley Fischer, the nominee for vice chairman of the Federal Reserve, disclosed assets of as much as $56.3 million and said he would sell his shares of financial companies including BlackRock Inc. if he is confirmed.

"While Fischer has spent much of his career as an academic and government official, he served as vice chairman of Citigroup Inc. from 2002 to 2005 and amassed a personal fortune of between $14.6 million and $56.3 million, a sum that would make him one of the wealthiest Fed officials. The nominees value their assets in ranges, making a precise tally impossible."

INTERNATIONAL REGULATION

New EU Market Reform: Content and Possible Consequences for U.S. Rulemaking
Steve Suppan, IATP, 2/12/14
"International cooperation on the regulation of global banks is required because of the global trading practices and corporate structure of the largest banks, most of which are major commodity traders. For example, according to another Fed study, the seven largest U.S. headquartered bank holding companies have about 5,700 foreign subsidiaries in dozens of foreign jurisdictions…

"On January 14, after a four year struggle, the European Parliament, Council and Commission came to an informal agreement about a large and complex piece of legislation, the revision of the Market in Financial Instruments Directive (MiFID 2)…

"But as Finance Watch also noted, commodity market regulation is just a small part of MiFID. Equally important are measures on consumer financial protection, cross-border implementation of MiFID, and rules to prevent price distortion as a result of High Frequency Trading (HFT) practices. HFT positions are held for just milli-seconds before being traded in response to computer trading algorithms. Because HFT positions are closed out before the end of the trading day, HFT traders and exchanges elude position limits and position reporting requirements of Dodd-Frank."

London Regulator Brings Heavier Touch to Banking Rules
Lindsay Fortado, Stephanie Baker and Douglas Wong, Bloomberg, 2/11/14
"Martin Wheatley, who leads London's top markets watchdog [applies] a cycling analogy to his job, Bloomberg Markets magazine will report in its March issue. He compares cleaning up banking to eradicating doping in the Tour de France…

"It took the U.S. Anti-Doping Agency 12 years to ban [Lance] Armstrong from competitive cycling. Wheatley, 55, has had barely a year to uncover the Armstrongs of the banking world. He says any 'cultural shift' will take time. As head of the Financial Conduct Authority, created in April 2013, Wheatley meted out a record 474 million pounds ($778 million) in fines to financial firms last year, more than seven times higher than in 2011."

Anglo Irish Bankers on Trial for Scheme That Led to National Collapse
Pratap Chatterjee, CorpWatch Blog, 2/12/14

INVESTOR PROTECTION

SEC Majority Wants to Review U.S. Exchanges' Special Status
David Michaels, Bloomberg, 2/11/14
"A majority of the five-member U.S. Securities and Exchange Commission wants the agency to review whether stock exchanges should continue to have regulatory roles that include overseeing members who may run competing venues…

"SEC Chairman Mary Jo White and Commissioner Daniel M. Gallagher have said the exchanges' regulatory roles may be at odds with their need to compete with trading venues including dark pools, which, unlike traditional exchanges, don't list bid and offer prices for the rest of the market to see. Commissioner Kara M. Stein was the latest to question the exchanges' roles, saying their status merits 'significant reconsideration' in a Feb. 6 speech to a New York conference."

SEC's Review of Stock Trading Will See Some of Its Own Work
Steven M. Davidoff, New York Times, 2/11/14

Retail Businesses That Try Crowdfunding Face Some Skepticism
Stacy Cowley, New York Times, 2/12/14
"The couple are still paying off private and family loans for their start-up costs. So Ms. Josepher and Mr. Payson took a suggestion from their customers and started a crowdfunding campaign on Kickstarter. Word spread quickly, and by the third day, the shop had more than $1,000 pledged toward its goal of $40,000.

"Then the resistance began…'NOT COOL,' came the overwhelming verdict. The Chocolate Room had unwittingly stepped into a fiery debate about the ethics and etiquette of crowdfunding. As financing platforms grow more prevalent on the web, it is easier than ever for merchants to solicit funds from customers — but is it a good idea?"

Higher Stakes for Crowdfunding
Ari Levy, Bloomberg, 2/12/14
"The makers of the Pebble Smartwatch.., used the site to raise more than $10 million. In return, close to 69,000 donors got to preorder the watch at a discount. That's the way crowdfunding has worked so far, with donors getting things like T-shirts, tickets or a backstage pass. The one thing you haven't been able to get from a crowdfunding site is an ownership stake in the venture you're backing. That's about to change, as a new U.S. law turns the crowdfunding field into a miniature stock exchange, a prospect that has would-be entrepreneurs and cash-strapped small businesses salivating, and some regulators nervous."

High Costs of SEC Approach Would Stymie Success of Crowdfunding, Commenters Warn
Yin Wilczek, BNA, 2/11/14
"In recent comment letters, small businesses and other industry representatives warned that the Securities and Exchange Commission must lower the costs for issuers and intermediaries if equity-based crowdfunding is to be viable…"

MORTGAGES, FORECLOSURES & HOUSING MARKET

NY Regulator Troubled by Growth of Nonbank Mortgage Servicers
Shayndi Raice, Wall Street Journal, 2/12/14
"New York state's top financial regulator said Wednesday he is troubled by the rapid growth of nonbank mortgage servicers and regulators should act to halt that expansion.

"Benjamin Lawsky, superintendent of New York's Department of Financial Services, said he has 'serious concerns that some of these nonbank mortgage servicers are getting too big, too fast.'

"Mr. Lawsky's comments, which were made at a New York Bankers Association meeting, came after he 'halted indefinitely' last week a deal between mortgage servicer Ocwen Financial Corp. and Wells Fargo & Co. to purchase servicing rights on $39 billion of loans. The deal was stopped because Mr. Lawsky has concerns over Ocwen's ability to handle more loans in light of his previous concerns, a person familiar with the matter said."

Lawsky Cites Ocwen's Growth in Halting Servicing Deal with Wells
Kate Berry, American Banker, 1/10/14
"'We have serious concerns that some of these nonbank mortgage servicers are getting too big, too fast,' Lawsky told New York bankers who were meeting at the Waldorf Astoria. 'We see far too many struggling homeowners getting caught in a vortex of lost paperwork, unexplained fees and avoidable foreclosures.'"

Regulators Fear More Bad Mortgage Practices
Patrick M. Sheridan, CNNMoney, 2/10/14
"The mortgage servicing industry is a big business and growing. Servicers handle the daily operations of your loan, such as collecting payments and calculating late charges. They also track when loans get in trouble, and can even start foreclosure proceedings.

"The biggest non-bank mortgage servicer is Ocwen Financial (OCN). It specializes in what it calls 'high risk loans'. You've probably never heard of Ocwen, but regulators are keeping close tabs on the company."

Rust Consulting: Tax Return Docs Sent To People Who Never Got Paid
Melissa Zavala, AG Beat – Housing News, 2/11/14
"Imagine this… You receive an envelope in your mailbox in which you have been sent a 2013 1099-MISC from Rust Consulting. In the return address window are the words 'Independent Foreclosure Review,' and Box 3 has the amount of $1000. Only one thing wrong here… you never received any payment from Rust Consulting.

"According to Daniel Smith, Vice President of Hill+Knowles (a company that assists Rust Consulting), as of February 4, 2014, the number of uncashed checks at somewhere is 500,000 (that's checks, not dollars). This was due, in part, to checks lost in the mail and also to the number of people that have moved or relocated during the mortgage meltdown."

Fannie Offers REO Incentives to Owner Occupants
Jann Swanson, Mortgage News Daily, 2/13/14

Senate Banking GSE Reform Bill Nears Completion
Victoria Finkle, American Banker, 2/12/14

Donovan Calls for Quick Action on GSE Reform
Brian Collins, National Mortgage News, 2/13/14

REVOLVING DOOR / POLITICAL INFLUENCE OF FINANCIAL SECTOR

Former Top S.E.C. Enforcer Returns to Milbank
Ben Protess, New York Times, 2/12/14
"After spending the last few years investigating financial institutions, George Canellos will now be defending them. Mr. Canellos, the former co-chief of enforcement at the Securities

and Exchange Commission, announced on Wednesday that he would be joining Milbank, Tweed, Hadley & McCloy as a partner and global head of the firm's litigation department…. Milbank is familiar turf for Mr. Canellos, who was a partner at the firm before joining the S.E.C. in 2009."

STUDENT LOANS & FOR-PROFIT COLLEGES

Risky Business: Why Student Loans Are The Worst Way To Fund College
Josh Freedman, Forbes, 2/10/14
"Individual student loans are anti-insurance. Rather than spread risk, they concentrate it on the individual – who has to bear all of the downsides if something goes wrong. A student who has educational debt is responsible for paying that debt personally. If he cannot find a job, wants to start a family, or encounters hardship, the burden of paying it back remains entirely on the individual rather than spread and mitigated across a larger pool of people.

Another Infuriating For-Profit College Story
Barbara Shelly, Kansas City Star, 2/6/14
"Her name is Shelley Riley. She is 38 years old and has two daughters. She explained to Adler that she had been working a part-time job while attending a for-profit college to become a medical assistant. After four years, she finished her training with $60,000 worth of college loans and no job prospects in a medical office. Then she lost her part-time job, lost her utilities and sought shelter at the mission.

"I have heard this story repeatedly. Low-income single moms fall for the sales pitches of the for-profit "colleges." The medical assistant courses seem especially alluring. The "admissions officers" (sales people, really) show prospective students how to apply for federal Pell Grants and college loans.

"What they don't tell them is how small the chances are of ever getting a medical assistants job. And even if a student gets lucky and lands a job, the starting salary isn't likely to exceed, or maybe even reach, $10 an hour. You cannot pay off a $60,000 debt with a $10-an-hour job."

Is Comeuppance Ahead For Predatory Colleges?
Barbara Shelly, Kansas City Star, 2/13/14
"One needn't look too far to find alumni of the sector of higher education known as the for-profit colleges. In the happiest scenario, a graduate of one of these programs may show up at your house to repair your air conditioner, or visit your business to deal with a computer problem. Trade schools have their success stories, and they are eager to have us know about them.

"But too often you'll find former students staffing the drive-through windows of fast-food restaurants, while shouldering massive amounts of student debt."

Most Students at For-Profit Colleges Haven't Heard of 'For-Profit Colleges'
Tyler Kingkade, Huffington Post, 2/12/14
"Is your school a for-profit institution? If you're like most students at for-profit colleges, you don't know the answer.

"According to a study released Monday by Public Agenda, a nonprofit that researches public policy issues, 65 percent of current students and 63 percent of alumni at for-profit colleges are not familiar with the term 'for-profit college'.

"Employers aren't that much more informed either, with Public Agenda finding that half had no opinion about national for-profit college giants like the University of Phoenix and DeVry, and 76 percent did not know much about local for-profit schools in their area."

Corinthian Colleges Discloses Fed's Probe of Job Placement Numbers
Ricardo Lopez, Los Angeles Times, 2/6/14
"Federal regulators are investigating for-profit college chain Corinthian Colleges Inc. for falsifying job-placement rates, adding to at least a dozen other state and federal investigations into the company's business practices, Corinthian disclosed in an earnings statement Wednesday…

"The disclosure is the latest of Corinthian's legal and regulatory woes. The company is already the subject of several state and federal inquiries, including one in California. In October, Atty. Gen. Kamala D. Harris sued Corinthian Colleges, accusing the company of false and predatory advertising, securities fraud and intentional misrepresentations to students."

Embattled For-Profit College EDMC Enlists Students as Lobbyists
David Halperin, Huffington Post, 2/10/14
"Instead of seeking a path to survival by returning to the days when EDMC emphasized helping its students train for careers, the company is instead focused on what for-profit colleges have done best in recent years: lobbying. Specifically, EDMC and other for-profit colleges are again fighting hard against the Obama administration's effort to implement a law that requires career colleges to actually prepare students for 'gainful employment'.

"Republic Report has obtained an email sent last week from EDMC management to staff urging them to become lobbyists for the cause by sending messages to the Obama administration and Congress. The email contains a link to a colorful website that helps staff and students write and send their messages opposing the gainful employment rule."

Corinthian Acknowledges Scrutiny of Placement Rates
Inside Higher Ed, 2/7/14

Federal and State Law Enforcement Dramatically Escalate For-Profit College Probes
David Halperin, Huffington Post, 2/6/14

For-Profit Tax Breaks
Ry Rivard, Inside Higher Ed, 2/13/14

What Non-Profit Universities Can Learn from the For-Profits
Steven Mintz, Inside Higher Ed, 2/12/14

SYSTEMIC RISK

Small Banks and Volcker: Hope for the Best, Expect the Worst
Thad Murali and Carlos Pereira, American Banker, 2/11/14
"Regulators incorporated many years of feedback from banks, legislators and Wall Street analysts when recently finalizing the Volcker rule, a mandate of the Dodd-Frank Act of 2009. However, it's likely we have not seen the final word on this rule as key provisions of the proprietary trading ban will have a greater impact on smaller banks than regulators had anticipated.

"When the Volcker rule was originally drafted, it was done so with systemically important financial institutions or large financial institutions with over $50 billion in assets in mind. The small-to-midsize banks (with assets less than $15 billion) were not a concern. The assumption was that a vast majority of these institutions did not participate in the activities in question. However, it is apparent now that regulators were wrong about the rule's potential impact on small-to-midsize banks."

Critics Claim Volcker Rule Skirts Cost-Benefit Laws
Economic Times, 2/12/14
"Opponents of the Volcker rule, which bans US banks from proprietary trading, are exploring whether regulators violated two obscure laws that require them to study the costs to business, a move that could lead to a possible legal challenge. The US Chamber of Commerce says bank regulators appear to have failed to meet their obligation to fully study the Volcker rule's cost to the financial industry and the economy.

"Lawyers for the business lobby group are combing through the 1995 Unfunded Mandates Reform Act, which the Office of the Comptroller of the Currency (OCC) has said directs it to assess the economic impact of any new rule that will cost the government or private sector $100 million or more. The lawyers are also looking at the Riegle Community Development and Regulatory Improvement Act, which requires the Federal Reserve, the Federal Deposit Insurance Corp and the OCC to weigh 'administrative burdens' on banks, including small banks and their customers, against the rule's benefits."

Dark Money and the US Chamber of Commerce
Candice Bernd, Truthout, 2/10/14
"Don't be fooled by the US Chamber of Commerce's rhetoric that it represents the interests of small businesses in America, because the interests of those really funding the Chamber are likely very different from the concerns of the nation's mom-and-pop shops.

A new report by Public Citizen… analyzes the US Chamber of Commerce's 2012 tax forms and found that more than half of all contributions to the Chamber came from just 64 donors in 2012."

(See Public Citizen's new report, **The Gilded Chamber**.)

OTHER TOPICS

Critic Accuses Press of Failing Public
Darrell Delamaide, USA Today, 2/11/14
"A new book by an editor of the Columbia Journalism Review accuses the press, and specifically the business press, of failing in its duty to alert the public to the abuses in the financial markets that led to the traumatic crisis that began in 2008 and is still with us.
"The book, *The Watchdog That Didn't Bark: The Financial Crisis and the Disappearance of Investigative Journalism* by Dean Starkman, details the consequences of a press asleep at the switch.

"'What happens is the public is left in the dark about and powerless against complex problems that overtake important national institutions,' Starkman writes. "In this case, the complex problem was the corruption of the U.S. financial system'."

Poor Banks Can't Compete With Hedge Funds in Hiring

Sheelah Kolhatkar, Bloomberg, 2/10/14
"Another day, another handful of traders fleeing large investment banks for hedge funds. This time, Bloomberg News reports, it is two Goldman Sachs (GS) managing directors joining Citadel, Kenneth Griffin's giant hedge fund, which is based in Chicago…

"Some observers have attributed this sort of thing to the 2008 Dodd Frank financial reform legislation—specifically, the Volcker Rule, which mandates that banks stop speculating with their own money. As banks have begun winding down their in-house trading desks to comply with the rule, many traders have headed to places like Citadel. But the trend was under way well before Dodd Frank and will surely continue for one big reason: The moneymaking possibilities at hedge funds are much, much greater than they are almost anywhere else."

Chinese Official Made Job Plea to JPMorgan Chase Chief
Jessica Silver-Greenberg and Ben Protess, New York Times, 2/9/14