AMERICANS FOR FINANCIAL REFORM

THIS WEEK IN WALL STREET REFORM
February 15 – 21, 2014

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SYSTEMIC RISK

Fed Refuses to Yield on Foreign Bank Supervision
Donna Borak, American Banker, 2/19/14
“The Federal Reserve Board finalized tough new rules Tuesday for roughly 100 foreign banks operating in the U.S., resisting pressure by overseas governments and institutions to significantly dial back from an earlier proposal.

“The central bank made some slight concessions by narrowing the number of firms that would be subject to the strictest part of the regulations and providing more time to comply with the new regime. Still, the central bank refused to give substantial ground, attempting to ensure that overseas banks operating in the U.S. face the same tough requirements as U.S. institutions.”

Fed Closes a Loophole for Banks Overseas
Peter Eavis, New York Times, 2/18/14
“The Federal Reserve… approved a final rule on Tuesday that will force the American operations of foreign banks to follow many of the same rules as American banks. In doing so, the Fed closed a gaping loophole that roughly half the big firms on Wall Street were able to exploit simply because their headquarters were overseas.”

To Regulate Foreign Banks in the U.S., ‘Trust, but Verify’
Mayra Rodríguez Valladares, New York Times, 2/18/14
“European banks have been in a position to play regulatory arbitrage and book some of their riskier transactions in the United States. Financial lobbies, such as the Global Financial Markets Association, have been decrying the Federal Reserve rules, and like a weary Greek chorus, repeating their mantra that regulation will cause some foreign banks to leave the United States…

“Given the financial weakness of many large systemically important European banks, coupled with accusations of money laundering and terrorism financing, as well as the Libor and foreign exchange scandals, I would like to know when they are leaving and where. If they really do leave, then auf wiedersehen, bon voyage, and vaya con Dios!”

Two Steps Forward and One Step Back for the Federal Reserve
Simon Johnson, New York Times, 2/20/14
"First, let me take a moment to congratulate the Fed on the good news: 'Enhanced Prudential Standards for Bank Holding Companies and Foreign Banking Organizations.' This may seem arcane and it is certainly technical, but the Board of Governors of the Federal Reserve, based in Washington, has moved to close important loopholes that previously allowed foreign banks to operate in the United States in a fashion that proved dangerous.

"Unfortunately, this good news was partly spoiled by the unrelated announcement that a vacancy on the board of the New York Fed would be filled by David M. Cote, chief executive of Honeywell… I must point out that he is not only a former board member of JPMorgan Chase, he was also on that board and a member of its risk committee from July 2007 through July 2013, a period that spanned the London Whale trading losses debacle and other egregiously unacceptable behavior…"

EU Is Troubled by New Fed Rules for Foreign Banks Operating in U.S.
Jim Puzzanghera, Los Angeles Times, 2/19/14
"A top European Union regulator raised concerns Wednesday that new Federal Reserve rules for foreign banks operating in the U.S. could place an unfair burden on EU financial firms… Michel Barnier, the European commissioner for internal market and services, plans to examine the new measures for their 'potential impact on the global level playing field' of banking markets to ensure competition 'on an equal footing…'"

Fed Says Foreign Firms Must Keep More in Reserve
Danielle Douglas, Washington Post, 2/18/14

Fed Adopts Foreign-Bank Rule as World Finance Fragments
Yalman Onaran, Bloomberg, 2/19/14

A Test Europe's Banks Mustn't Fail
Francesco Giavazzi and Anil K. Kashyap, New York Times, 2/17/14

Fed Toughens Rules for Large Foreign Banks
Martin Crutsinger, Associated Press, 2/18/14

What Happened to that Financial Early-Warning System?
Bloomberg, 2/12/14
"The recent turmoil in emerging markets raises an urgent question: If things get worse, if markets plunge or a government defaults, do regulators know which banks, hedge funds or other institutions are most at risk?

"Almost six years after the crash, with financial regulation overhauled in the U.S. and elsewhere, you'd expect the answer to be yes. Actually, the short answer is no. Regulators charged with overseeing the financial system have vastly more data than they did before the last crisis, but not much more of a clue."

SEC's Stein Calls for More Reforms to Short-Term Lending Market
Sarah N. Lynch, Reuters, 2/19/14
"The short-term lending market is in need of reform to improve its transparency, a top U.S. regulator said on Wednesday, saying that the lack of public information on how much financial firms rely on such borrowing could lead to another financial crisis.

"'We should be doing more to improve large [financial](#) firms' disclosures about how reliant they are on short-term funding, and how susceptible they may be to liquidity crises,' Kara Stein, a Democratic commissioner at the Securities and Exchange Commission, said in an interview with Reuters…"

Shadow Banking and Systemic Risk Regulation
Speech, Fed Gov. Daniel Tarullo, 11/22/13
"If we think back to the rapid growth of the shadow banking system in the pre-crisis period, we are reminded of some glaring vulnerabilities: Large firms that could themselves be considered shadow banks and that relied on the shadow banking system for a significant proportion of their funding--a group that included the "free-standing" investment banks--were outside the perimeter of prudential regulation. The breaking of the buck by the Reserve Primary Fund following Lehman's collapse triggered a run on the shadow banking system that required unprecedented support by the Treasury Department and the Federal Reserve.

"The process established by the Dodd-Frank Wall Street Reform and Consumer Protection Act for designation of systemically important non-bank firms has provided a means for ensuring that the perimeter of prudential regulation can be extended as appropriate to cover large shadow banking institutions. The proposals of the Securities and Exchange Commission on money market fund regulation are a response to continuing vulnerabilities as well as to the run in the fall of 2008."

CONSUMER FINANCE AND CFPB

Banks Fight Revised U.S. Plan to Monitor Checking Overdraft Fees
Carter Dougherty, Bloomberg, 2/21/14
"U.S. banks are seeking to shield from scrutiny the $30 billion they collect annually in checking-account fees, saying a proposed requirement for periodic reports is unacceptable even if it exempts small institutions.

"The dispute is the latest installment in a multi-year fight between the industry and the Consumer Financial Protection Bureau over how to monitor the way banks assess charges on their depositors, particularly when people overdraw checking accounts. The bureau, along with the Federal Reserve, Federal Deposit Insurance Corp. and Office of the Comptroller of the Currency, proposed last year that all institutions include detailed breakdowns of their revenue from account fees in the public quarterly reports they file with the FDIC. That would give the consumer bureau data it could use to write new regulations curbing revenue from overdraft services."

Capital One In Your Wallet and On Your Doorstep
Susanna Kim, ABC News, 2/19/14
"Credit card company Capital One is raising eyebrows after a surprising clause was discovered in their cardholder contracts that states 'we may contact you in any manner we choose,' including calls, text messages, emails, faxes or a 'personal visit'… The news of the credit card agreement language is spreading at an inopportune time for credit card and retail companies, after privacy and security concerns over hacking incidents at Target and other companies…"

Capital One to Revisit Credit Card Contract Terms After Outcry
Rachel Abrams, New York Times, 2/19/14
"The contract, which states that Capital One can 'contact you at your home and at your place of employment,' has been included in its credit card agreements for years,

according to Pam Girardo, a bank spokeswoman. The contract further says that 'we may contact you in any manner we choose,' including, where allowed by law, a 'personal visit'."

[The Mysterious Online War Against A Payday Lending Crackdown]
Daniel Wagner, Center for Public Integrity, 2/19/14
"An online campaign waged by a mysterious new nonprofit group claims that an Obama administration effort to curb lending abuses will take away people's guns, close down charities and destroy the free market. To drive the point home, the group portrays President Barack Obama as a marauding Godzilla.

"The attack's sponsors are at this point anonymous."

[Credit Issuers Making It Easier to Know Your Score]
Ann Carrns, NY Times, 2/20/14

DERIVATIVES, COMMODITIES & THE CFTC

[The Megabanks' Most Devious Scam Yet]
Matt Taibbi, Rolling Stone, 2/12/14
"Today, banks like Morgan Stanley, JPMorgan Chase and Goldman Sachs own oil tankers, run airports and control huge quantities of coal, natural gas, heating oil, electric power and precious metals. They likewise can now be found exerting direct control over the supply of a whole galaxy of raw materials crucial to world industry and to society in general…

"But banks aren't just buying stuff, they're buying whole industrial processes. They're buying oil that's still in the ground, the tankers that move it across the sea, the refineries that turn it into fuel, and the pipelines that bring it to your home. Then, just for kicks, they're also betting on the timing and efficiency of these same industrial processes in the financial markets – buying and selling oil stocks on the stock exchange, oil futures on the futures market, swaps on the swaps market, etc.

"Allowing one company to control the supply of crucial physical commodities, and also trade in the financial products that might be related to those markets, is an open invitation to commit mass manipulation. It's something akin to letting casino owners who take book on NFL games during the week also coach all the teams on Sundays."

[CFTC Will Flex Dodd-Frank Muscle In 2014]
Erika Kelton, Forbes, 2/19/14
"The demands on CFTC enforcement have increased tremendously due to the Dodd-Frank Act. The CFTC now has jurisdiction over the $400 trillion swaps market, in addition to its longstanding futures portfolio. Yet, the CFTC is admittedly understaffed and underfunded. Its budget is expected to increase only slightly to $215 million for fiscal year 2014 – a $10 million increase over last year but $100 million less than it had requested.

"What has been overlooked in discussions about the CFTC's expanding enforcement obligations and constrained budget is the [CFTC whistleblower reward program] created by Dodd-Frank…"

Swaps Pioneers Recall Wild West Days as Trades Go Digital
Matthew Leising, Bloomberg, 2/18/14
“The shift will allow investors to pit several dealers at once against each other to compete for the best price on electronic systems, a change from the practice of calling banks one at a time to ask what they were charging. Another approved method of buying and selling allows swaps users to view prices on a computer screen before they transact with a mouse click….

“JPMorgan, the biggest U.S. derivatives dealer, earned $5 billion in profit from trading fixed-income swaps in 2009 amid the worst year in Wall Street history. Last year, the New York-based bank said the new derivatives rules may cost it $1 billion to $2 billion in revenue. To partially offset that, the fees it can charge customers to help them trade, clear and collateralize swaps may produce revenue of $300 million to $500 million by 2015, the bank said.”

Automated Traders Woo Farm Groups
Zachary Warmbrodt, Politico, 2/19/14
“The fastest traders in the futures market are looking to farm country for an edge. But rather than adopting a new piece of tech, a group representing automated trading firms — the Futures Industry Association’s Principal Traders Group — is trying to court agricultural interests that in the past have warned policymakers that high-frequency trading increases market volatility…

“Computer-driven trading disruptions, such as the May 2010 flash crash, and concerns about whether technology is giving some traders an unfair advantage have caused regulators to consider potential new safeguards aimed at high-speed trading firms.

“But farm and agriculture groups are viewed sympathetically by lawmakers and regulators when it comes to how futures markets are overseen, and their blessing, or lack of criticism, of high-frequency trading could help these firms as they prepare to push back against increased government oversight.”

Financial Institutions Regulation Group Client Alert: Inequitable: Investments in Non-Financial Companies Under the Volcker Rule
Milbank.com, 2/7/14
“An FHC still has several options for making equity investments in non-financial companies without running afoul of the Final Rule. We recognize that these investments, as well as other types of investments, have fallen under increased congressional and regulatory scrutiny in recent years, and it is possible that either Congress or the Board could further limit an FHC’s investment authority.
42. For the time being, however, such investments remain a viable activity for FHCs.”

Declawing Speed Traders Is Goal of Stock Market Revamp Proposal
Sam Mamundi, Bloomberg, 2/20/14
“Trading is now effectively non-stop, with transactions measured in millionths of a second. Budish, an associate professor of economics at the Booth School of Business, proposes to instead segment trading into thousands of auctions throughout the day, preventing the quickest firms from jumping ahead of slower ones. He argued his case last week to the Commodity Futures Trading Commission, the main U.S. derivatives regulator.

“The proposal for what Budish calls frequent batch auctions is one of the most extreme ideas for how to improve markets now dominated by automated computerized trading. The academic says it would preserve the useful function that high-frequency traders provide -- generating liquidity -- while eliminating their ability to take advantage of momentary mispricings and profit through pure speed."

ENFORCEMENT

The People Versus Wall Street Banks
Editorial, Financial Times, 2/11/19
"The argument is that large banks have been allowed to walk away from their incompetence (to use a generous word) in loan origination and bundling. Regulators and prosecutors have stayed their hand out of an apparent fear that legal action might inadvertently bring down a systemically important institution. To the extent that banks have been punished, it has been in the form of fines that fall on battered shareholders and capital ratios rather than managers.

"This perception of a 'too big to jail' problem goes beyond popular imaginings. In testimony before the Senate last year, Eric Holder, the US attorney-general, admitted the size of banks had 'an inhibiting impact' on prosecutions."

SEC Gains Power to Take Profit Made From Insider Trading
Christie Smythe, New York Times, 2/19/14
"The U.S. Securities and Exchange Commission won an appeals court ruling that may allow it to collect illegal proceeds from money managers who engage in insider trading even when their firms got all the profit.

"The U.S. Court of Appeals in Manhattan yesterday upheld a lower court's finding in an SEC lawsuit that Joseph Contorinis, an ex-Jefferies Paragon Fund money manager convicted of insider trading in 2010, must turn over $7.2 million he made for the fund and an additional $2.5 million in interest."

Charges Open New Front in Libor Probe
David Enrich and Margot Patrick, Wall Street Journal, 2/17/14

EXECUTIVE COMPENSATION

BofA Said to Increase Moynihan's Compensation 17% to $14 Million
Hugh Son, Bloomberg, 2/20/14
"Bank of America Corp. awarded Chief Executive Officer Brian T. Moynihan $14 million for last year, boosting his pay 17 percent after profit more than doubled.

"Moynihan received $12.5 million in stock grants for 2013, the firm said yesterday in a filing to the U.S. Securities and Exchange Commission…. Moynihan, 54, has spent his four years atop the nation's second-largest bank resolving disputes tied to shoddy home loans and foreclosures, most of them rooted in his predecessor's 2008 takeover of Countrywide Financial Corp."

Morgan Stanley Chief Discloses Stock Gift
Rachel Abrams, New York Times, 2/19/14

INVESTOR PROTECTION & THE SEC

SEC's White: Fiduciary Rule's Fate to Be Decided This Year
Think Advisor, 2/21/14
"Securities and Exchange Commission Chairwoman Mary Jo White said Friday that it was a 'very high priority' for the agency this year to make a 'threshold decision on whether to proceed in adopting a uniform fiduciary standard rule' for broker-dealers and investment advisors, and to then decide whether there should be 'harmonization' of BD and advisor rules."

Municipal-Debt Rules Proposed to Ensure Brokers Seek Best Prices
William Selway, Bloomberg, 2/19/14
"U.S. securities regulators proposed stricter rules on brokers in the $3.7 trillion municipal-debt market designed to prevent investors from being shortchanged when trading state and local government bonds.

"The rules, released today by the Municipal Securities Rulemaking Board, would require that brokers seek to trade at the most favorable prices possible for clients in the municipal-bond market, which lacks a centralized exchange. Brokers would have to check prices on various platforms before trading.

"The existing rules in the municipal market require brokers trade with their customers at 'fair and reasonable' prices, the MSRB said. The proposed regulations would require that brokers seek prices that are "as favorable as possible under prevailing market conditions" by gauging trading on electronic platforms with firms that act as middlemen for brokers, and other potential buyers, before executing trades."

MORTGAGES, FORECLOSURES & HOUSING

CFPB Shocks Mortgage Conference
Brena Swanson, HousingWire, 2/19/14
"In a general session Wednesday at the Mortgage Bankers Association's National Mortgage Servicing Conference & Expo 2014, Steven Antonakes, deputy director of the Consumer Financial Protection Bureau, cut straight to the point with a message the CFPB has been emphasizing lately.

"Antonakes quickly shocked the room full of mortgage servicers in the opening session saying, 'Nearly eight years have passed and I remain deeply disappointed by the lack of progress the mortgage servicing industry has made. There are encouraging signs with unemployment decreasing and the economy growing. However, many homeowners continue to struggle. Nationwide, one in ten homeowners remain underwater and two million households are at a high risk of foreclosure…'

"'Servicers have had more than a year now to work on implementation. We put out plain-language summaries of the rules and posted video guidance. We issued readiness guides. And, we worked with our fellow regulators to publish inter-agency procedures on the new rules to familiarize industry stakeholders with our expectations,' Antonakes said.

“And while the CFPB is looking for a ‘good faith effort,’ it has felt like ‘Groundhog Day’ with mortgage servicing for far too long, Antonakes argued… [P]lease understand, business as usual has ended in mortgage servicing. Groundhog Day is over."

Official ‘Deeply Disappointed’ by Mortgage Servicing Problems
Alan Zibel, Wall Street Journal, 2/19/14
“The Consumer Financial Protection Bureau’s deputy director, Steve Antonakes, said he’s ‘deeply disappointed by the lack of progress the mortgage servicing industry has made’ in the treatment of customers… Situations in which servicers are not honoring agreements to modify loans ‘will not be tolerated,’ Mr. Antonakes said.

“Mr. Antonakes, speaking at a Mortgage Bankers Association conference in Florida, said his agency will be closely scrutinizing deals in which banks sell their right to collect payments on mortgages to other banks. ‘There will be no more shell games where the first servicer says the transfer ended all of its responsibility to consumers and the second servicer says it got a data dump missing critical documents.’”

Loan Complaints by Homeowners Rise Once More
Jessica Silver-Greenberg and Michael Corkery, New York Times, 2/18/14
“Shoddy paperwork, erroneous fees and wrongful evictions — the same abuses that dogged the nation’s largest banks and led to a $26 billion settlement with federal authorities in 2012 — are now cropping up among the specialty firms that collect mortgage payments, according to dozens of foreclosure lawsuits and interviews with borrowers, federal and state regulators and housing lawyers…

“Servicing companies have experienced breakneck growth. Since 2010, they have increased the number of mortgages they service by as much as six times, yielding strong returns for the companies’ investors, like the Fortress Investment Group, a private equity firm and the largest shareholder in Nationstar. It has seen its stock price double since going public in March 2012.”

Lawmaker Urges U.S. Regulators to Scrutinize Mortgage Servicers
Jessica Silver-Greenberg, New York Times, 2/19/14
“Representative Maxine Waters of California is urging federal banking regulators to scrutinize the sale of billions of dollars of mortgage-servicing rights to a fleet of specialty firms, a move that comes amid mounting concerns that some of the most vulnerable homeowners are facing fresh abuses in battles to save their homes...

“Together, servicing companies like Nationstar and Ocwen Financial now have 17 percent of the mortgage servicing market, up from 3 percent in 2010, according to Inside Mortgage Finance, an industry publication.

“As companies buy servicing rights at a rapid clip, some homeowners are mired in delays and some of the same problems — shoddy paperwork, erroneous fees and wrongful evictions — that led to a $26 billion settlement between the nation’s largest banks and 49 state attorneys general in 2012.”

Mortgage Help for Members of the Military
Andy Meek, Fox News, 2/17/14
“The Consumer Financial Protection Bureau…reports more than one third of the consumer complaints it’s received from the military are mortgage-related… Further underscoring the urgency for a fix, banks, including JPMorgan, have paid millions to

settle claims they overcharged military members and at times took improper foreclosure actions on active-duty military personnel.”

Fannie Mae Payments to U.S. Will Exceed $116 Billion Bailout
Clea Benson, Bloomberg, 2/21/14
“Fannie Mae will pay the Treasury Department $7.2 billion after posting an eighth straight quarterly profit, pushing total dividend payments above the $116.1 billion of aid it received after the financial crisis. The mortgage-finance company, which is operating under federal conservatorship, had net income of $6.5 billion for the three months ended Dec. 31, Washington-based Fannie Mae said today in a regulatory filing. That brought earnings for 2013 to $84 billion, the highest ever for the 80-year-old firm.”

Wells Fargo to Ease Mortgage Standards Slightly
Nick Timiraos, Wall Street Journal, 2/14/14

Stevens: Give National Servicing Standards a Chance to Work
Jann Swanson, Mortgage News Daily, 2/19/14

Fannie Mae Offers Financing Incentives to Buyers Ready to Live In Foreclosed Houses
Kenneth R. Harney, Washington Post, 2/19/14

SPECULATION TAX

Germany and France Move Closer to Deal on Diluted Transaction Tax
John O'Donnell, Reuters, 2/18/14
“Ambitious proposals for a pan-European financial transaction tax look almost certain to be scaled back after Germany's finance minister acknowledged that the levy could be phased in slowly, starting with share trades.

“The tax failed to gain widespread support when it was proposed during the euro zone debt crisis but eventually won the backing of an uneasy coalition of 11 states, led by Germany and France.

“Long-expected revisions, however, would mark a victory for banks and trading organisations that have lobbied furiously against the scheme and would reflect practical problems and political divisions.”

Speculation Tax Gains Momentum (and a movie)
Jim Lardner, AFR Blog, 2/21/14
“11 EU nations have already agreed to adopt a speculation tax. Just this week, the topic was on the agenda of a meeting between German Chancellor Angela Merkel and French Francois Hollande. Public support is also growing: more than 300 organizations, representing over 70 million European citizens, have signed appeals for the EU nations to press ahead – and for the United Kingdom, the most conspicuous holdout so far, to get on board.

“Celebrities have enlisted in the campaign as well. Check out this just-released 3-minute film, directed by David Yates (of the last 4 Harry Potter movies) and starring, among others, Bill Nighy of “The Best Exotic Marigold Hotel,” and Andrew Lincoln of the “Walking Dead” TV series.”

STUDENT LOANS & FOR-PROFIT COLLEGES

The Hefty Yoke of Student Loan Debt
Floyd Norris, New York Times, 2/20/14
“Fewer consumer loans became seriously delinquent last year than in any recent year, the Federal Reserve Bank of New York reported this week.

“Except, that is, for one type of debt: student loans. There delinquencies continue to rise, and loans continue to be made without regard for the ability to repay.”

Student Debt May Hurt Housing Recovery By Hampering First-time Buyers
Dina ElBoghdady, Washington Post, 2/18/14
“First-time buyers, the bedrock of the housing market, are not stepping up to fill the void. They have accounted for nearly a third of home purchases over the past year, well below the historical norm, industry figures show. The trend has alarmed some housing experts, who suspect that student loan debt is partly to blame. That debt has tripled from a decade earlier, to more than $1 trillion, while wages for young college graduates have dropped.

“The fear is that many young adults can no longer save for a down payment or qualify for a mortgage, impeding the housing market and the overall economy, which relies heavily on the housing sector for growth, regulators and mortgage industry experts said.”

Student Debt Is Terrible, in Charts
Dina ElBoghdady, Washington Post, 2/18/14
“Overall, consumer debt, including mortgages, auto loans and credit cards, increased by $241 billion during the fourth quarter of last year – the largest quarter to quarter jump since the third quarter of 2007. Student debt increased to $1.08 trillion, up $53 billion in the last quarter of 2013 compared to the previous quarter.”

Checking the Fairness of College-Provided Debit Cards
Ann Carrns, New York Times, 2/14/14
“Campus debit cards are the subject of a new report by the Government Accountability Office, which recommends tougher regulations to ensure students are not unfairly steered into using the cards or paying unnecessary fees to access federal aid…

“Colleges often partner with card companies to help streamline the distribution of financial aid to students. Often, schools earn fees from the card providers, and encourage students to use the cards by promoting them as a fast, convenient way to get their money…

“But the accountability office also said it was unable to get detailed information from some card providers about the actual fees incurred by students who use the cards. (The agency recommended that Congress consider requiring financial firms that provide campus card services to publicly disclose their agreements.)”

USA Today: GAO Recommends Changes For Student Debit Cards
Kimberly Hefling, Associated Press, 2/16/14

Private Student Lenders Expand Refinance Options
Allie Bidwell, US News and World Report, 2/18/14
“In the last month, two of the largest private student lenders – RBS Citizens Financial

Group, which operates both Citizens Bank and Charter One Bank, and Discover Financial Services – have announced that they will give borrowers the option to consolidate and refinance their student loans. Unlike federal student loans, private loans typically come at a higher interest rate and have less flexible repayment options.

"Due to those complications, many private student loan borrowers struggle to make their payments and often end up defaulting on their loans. According to an estimate from the Consumer Financial Protection Bureau, as many as 850,000 private student loans – worth a total of more than $8.1 billion – are in default."

Borrowing Levels Vary Widely by Sector and Degree
Beckie Supiano, Chronicle of Higher Education, 2/18/14

Lawsuit Accuses For-Profit Schools of Fraud
Richard Pérez-Peña, New York Times, 2/19/14
"The suit contends that while charging more than $10,000 for programs lasting less than a year, school officials routinely misled students about their career prospects, and falsified records to enroll them and keep them enrolled, so that government grant and loan dollars would keep flowing…

"Compared with traditional, nonprofit schools, both public and private, for-profit schools disproportionately enroll low-income and minority students who qualify for significant government aid, and the schools rely far more on that aid for revenue. Federal records show that in 2011-12, Premier collected $112 million in federal Pell grants and federal student loans. For-profit schools also spend heavily on advertising, their students are far more likely to borrow money to pay for tuition, and those who borrow rack up more debt and are more likely to default."

Battle Rages at The White House Over For-Profit Colleges
Ben Goad, The Hill, 2/18/14
"It's unclear how much the regulations, if finalized, would cost the for-profit college industry. The administration has labeled the rule economically significant, meaning it carries an annual price tag of at least $100 million.

"The battle to influence the final language is only just beginning. The Education Department in the coming weeks will issue a preliminary version of the rule, which will be followed by public comment and additional revisions. Once finalized, the rule is widely expected to face another legal challenge…"

Obama Must Not Coddle For-Profit Colleges Facing Fraud Probes
David Halperin, Huffington Post, 2/18/14
"If a gainful employment rule ultimately prevents some students from enrolling in programs that will leave them worse off than when they started, that is a good thing. That is what the gainful employment provision that Congress enacted in 1965 intends, and that's what the regulation implementing that law should do.

"Having studied this industry closely for several years, I believe that many of the big for-profit college companies, as presently structured, should not get federal student aid. In far too many cases, these companies hurt students, and they divert taxpayer money from higher quality education programs.

"These companies include: the University of Phoenix, Education Management Corporation, DeVry, Kaplan, ITT Tech, Corinthian Colleges, Career Education

Corporation, and Bridgepoint Education. (Overall the for-profit college industry has received as much as $33 billion in federal student aid in a single year, amounting to about 25 percent of all such aid.)"

Survey Finds Advertising Draws Students To For-Profit Colleges
Karen Herzog, Milwaukee Journal Sentinel, 2/11/14
"Most students who seek degrees at for-profit colleges don't really understand what a for-profit school is, or how it's different from a public, non-profit school, according to a new study by Public Agenda, a non-profit group that studies complex and divisive issues…

"Both students and alumni said their schools were expensive and nearly half (47%) of current students surveyed said they worry 'a lo'" about taking on too much debt. "Alumni were skeptical about the value of their degree, with 32% saying their degree 'really wasn't worth it', 37% saying it was 'well worth it' and 30% saying it 'remains to be seen'."

Students Unable to Differentiate Nonprofit, For-Profit Colleges, Study Suggests
Taryn Ottaunick, Daily Free Press (Boston Univ.), 2/12/14

Let the Rule Making Begin
Michael Stratford, Inside Higher Ed, 2/20/14
"A 15-person panel appointed by the U.S. Education Department on Wednesday began a months-long negotiating process aimed at developing a package of regulations relating to student aid programs.

"Negotiators began to tackle an ambitious regulatory agenda, first announced by the Obama administration last year, that includes new rules for distance education, Parent PLUS loans and campus debit cards."

Stopping Student Loan Predators
Maura Healey, Boston Globe, 2/20/14
"We've seen this movie before — an industry crops up, matching aggressive sales tactics with lofty promises to rope in a public hungry for a leg up. The sales promises are hollow, families are saddled with crushing debt and taxpayers take the hit…

But we have a chance to make sure we aren't burned again — this time by the emerging for-profit schools targeting our most vulnerable students, honing in on gateway cities and adding to the growing burden of student debt… Access to education is how we expand opportunity, but only if the promise is real.,, Unaffordable loans from predatory schools are leaving too many broke, deep in debt and without options."

Rockford Career College Facing Age Discrimination Suits
Alex Gary, Rockford Register Star, 2/19/14

Graham Holdings Looks Abroad for Future Without Buffett and Post
Oliver Staley, Bloomberg, 2/14/14

Restoring Credit Score After Defaulting on Student Loans
Erica Sandberg, Fox News, 2/17/14

OTHER TOPICS

[Missing from the Inequality Debate: Wall Street Reform]
Jim Lardner, US News.com, 2/18/14
"A meaningful debate over inequality will also have to address the economic structures that reinforce America's extreme and growing concentration of income, wealth and economic and political power. And that means, for one thing, taking a fresh hard look at the rules of the game for Wall Street and the financial world…

"Thanks in part to a wave of consolidations linked to the bailout, the big banks are bigger than ever, and still helped along by too many explicit and implicit public subsidies. Their business model remains ridden with insider advantages, self-dealing and conflicts, permitting practices that make heaps of money for financial high-flyers while draining resources from the real economy and leaving most Americans more vulnerable and insecure. Small wonder that Wall Street, unlike the country at large, has bounced back so decisively from the crisis it created."

The Rent Is Too Damn High
Enrique Diaz-Alvarez, The Jacobin, 2/19/14
"It appears that Dodd-Frank has failed to restrain financial rent extraction. Instead, we have a mere institutional shift in the rent extraction nodes — from investment banks to hedge funds, asset managers and private equity. Increasingly, the impeccably credentialed, and questionably skilled children of the elite are heading over to hedge funds in Greenwich, Conn., rather than Goldman Sachs. Other than that, nothing much has changed.

"The numbers paint a pretty awful picture. Bloated and inefficient, the financial sector is focused on hooking up bankers with large bonuses rather than matching savings with investment. Not only is it *possible* for us do much better, but in fact the US *has* done much better, for a long time, in the period between WWII and the FIRE explosion that began in the early eighties."

Nasdaq Plans to Offer 'Kill Switch' Feature by March 1
Everdeen Mason and Josh Beckerman, Wall Street Journal, 2/19/14
"Nasdaq OMX Group Inc. said it plans to offer a 'kill switch' tool that will cut off trades when they exceed established position limits.

"The change comes as regulators have pushed into trading control reform after such high-profile breakdowns as the errant trading at Knight Capital Group Inc. in 2012. Knight, one of the largest handlers of share orders for retail and institutional investors, had to seek emergency rescue funding after faulty computer coding trading program led to a $440 million loss…

"Nasdaq said the switch is designed to protect both firms and investors by limiting the damage of potential technological problems or other erroneous trading activity."

Wonks in Embattled Regulatory Office Are Mysterious -- But 'Not Nefarious'
Robin Bravender and Emily Yehle, E&E News, 2/18/14
"Most people have never heard of them. They're the cadre of wonky bureaucrats in the Office of Information and Regulatory Affairs, a division of the White House budget office.

"The staff of OIRA (pronounced oh-EYE-ra) plays a big role in shaping federal rules that govern everything from how much smog can be in the air to whether farmworkers are required to wash their hands before handling food and how close ships can get to whales… OIRA's backers see the office's cost-benefit analyses as critical backstops needed to avoid unnecessary costs to the government and to industry. OIRA has plenty of detractors, too."

Start-Up Site Hires Critic of Wall St.
Ravi Somaiya, New York Times, 2/19/14
"Matt Taibbi, who made a name as a fierce critic of Wall Street at Rolling Stone magazine, has joined First Look Media, the latest big-name journalist to leave an established brand to enter the thriving and well-financed world of news start-ups.

"Mr. Taibbi will start his own publication focusing on financial and political corruption, he said in an interview on Wednesday. First Look is financed by the eBay founder Pierre Omidyar, who is worth $8.5 billion, according to Forbes. Mr. Omidyar has pledged $250 million to the project."

A Conversation About Young Wall Streeters
Mary Pilon, New York Times, 2/17/14
"Kevin Roose, a former reporter for DealBook, has been at New York magazine since 2012, writing about the more offbeat aspects of Wall Street's culture… Mr. Roose followed eight young Wall Street workers as they navigated the world of spreadsheets and suits. Think of the book as 'Liar's Poker,' updated with iPhones and heightened anxiety about the global economy."

One-Percent Jokes and Plutocrats in Drag: What I Saw When I Crashed a Wall Street Secret Society
Kevin Roose, New York Magazine, 2/18/14

The Tame Truth About the Wolves of Wall Street
William D. Cohan, New York Times, 2/15/14
"I lived in a constant fugue state, rushing from one meeting to the next, constantly hoping a chief executive would pursue the deal I was advocating. Getting hired for a new assignment, with its potential for a multimillion-dollar fee for the firm, was a rare moment of drug-free euphoria — to be followed by the long downer of sleepless nights as I toiled to make the deal happen."