AFR Americans for Financial Reform

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THE TRUMP ADMINISTRATION, CONGRESS AND WALL STREET

Van Hollen calls for Fed impartiality on Deutsche Bank | PoliticoPro
The Federal Reserve must not allow the Trump administration to interfere with any enforcement or regulation of German lending giant Deutsche Bank, which has done business with President Donald Trump's organization, a Democratic member of the Senate Banking Committee said today.

In a letter to Federal Reserve member Jerome Powell, whom Trump has nominated to be Fed chairman, Sen. Chris Van Hollen (D-Md.) asked for a commitment "that the Federal Reserve System will not allow any political interference into its oversight of Deutsche Bank."

Van Hollen said the Justice Department is investigating Deutsche Bank for its role in an alleged securities mirror trading scheme with Russia. "Congress and the American people require assurances that the Board of Governors will continue to safeguard its independence and be proactive in preserving public confidence," he said in the Jan. 11 letter.

Swamp Watch: Trump's Top Banking Regulator Returns to Wall Street Clients | The Intercept
Noreika was unusually active for a temp. At OCC, he fought initiatives of his fellow regulators, like the now-defunct Consumer Financial Protection Bureau rule on arbitration (Noreika served Wells Fargo previously in an arbitration case). He changed guidelines under the Community Reinvestment Act designed to ensure lending in low-income and minority communities: Big banks will now face fewer examinations and reduced penalties for shortchanging such neighborhoods. He allowed big banks to once again offer short-term, high-cost loans, responding to a separate CFPB rule on payday lending…

[H]e continued on until November, when his Senate-confirmed replacement, former OneWest Bank CEO Joseph Otting, was sworn in. Now back at Simpson Thacher, Noreika will "advise a wide range of domestic and international financial institutions on regulatory issues relating to mergers and acquisitions, minority investments, capital issuances, structuring and compliance activities and litigation matters, particularly in the area of federal preemption," according to the press release.

2017 was a great year to be rich | CNN Money (Lydia DePillis)
In one of the more high-profile rollbacks in 2017, the administration overturned the Consumer Financial Protection Bureau's rule against forcing consumers into arbitration proceedings. That was a win for financial companies, making it more difficult for people who've been wronged to seek redress.

Wells Fargo hires officials from HUD, lobbying group | PoliticoPro
Wells Fargo is bringing on senior players from the Trump administration and a prominent financial trade group as the bank works to recover from misconduct scandals that strained its relationship with Washington, according to sources familiar with the matter.

The company has hired Beth Zorc, who previously served as HUD acting general counsel and as an aide on Capitol Hill, and Eric Hoplin, who has been the Financial Services Roundtable's executive director, sources said.

Trump Stretches Meaning of Deregulation in Touting Achievements | Bloomberg
While the president has succeeded in undoing some major environmental and financial industry rules, a Bloomberg News review of the administration's list found almost a third of them actually were begun under earlier presidents. Others strain the definition of lessening the burden of regulation or were relatively inconsequential, the kind of actions government implements routinely.

Do It Yourself: Trump's quiet attack on the regulatory state is another part of his broader class war | Slate (Jon D. Michaels and Rajesh D. Nayak)

The Trump Effect: Business, Anticipating Less Regulation, Loosens Purse Strings | NY Times

CFPB SUCCESSION AND FUTURE

Despite loss, legal battle against CFPB's Mulvaney isn't over yet | American Banker
Oral arguments are scheduled for Friday in a credit union's challenge to Mulvaney's appointment at the U.S. District Court for the Southern District of New York.

"The legal fight is far from over," said Brianne Gorod, chief counsel at the Constitutional Accountability Center, on a conference call Thursday with reporters. The calls was sponsored by two consumer groups, **Americans for Financial Reform** and the Center for Responsible Lending.

Bloomberg Law: Court Says Mulvaney Can Lead CFPB, but Legal Fight Continues // Bloomberg Law
"This is clearly a win for the administration, but there's still so much uncertainty," David Reiss, professor of law at Brooklyn Law School in Brooklyn, N.Y, told Bloomberg Law in a phone interview.

Kelly's 46-page decision, which several attorneys privately described as careful and thorough, is the second such setback for English, who previously lost a bid for a temporary restraining order. Even so, hazards lie ahead for the administration. University of Michigan Law School Professor

Nina Mendelson said an eventual ruling on the merits against Mulvaney could call into question any actions based on authority he now claims, such as final regulations, settlements, or other matters...

Kelly's Jan. 10 ruling isn't the last word, according to Brianne Gorod, an attorney with the Constitutional Accountability Center who also joined the call. "The legal fight here is far from over," she said.

CFPB director fight expected to continue on to federal appeals court // PoliticoPro

DOJ seeks dismissal of credit union lawsuit challenging CFPB appointment | National Law Review

GOP senator calls for probe into 'flawed' vetting process for CFPB official | The Hill
Sen. Ron Johnson (R-Wis.) on Thursday called on a federal watchdog to review the "flawed" process in which Leandra English jumped from a position as political appointee to serving as a senior career civil servant at the Consumer Financial Protection Bureau (CFPB). Johnson, the head of the Senate Homeland Security and Governmental Affairs Committee, sent a letter to the head of the Office of Special Counsel (OSC), Henry Kerner, raising concerns about the conversion process in the final days of the Obama administration. "Based on the information that [the Office of Personnel Management] provided to the Committee, it may be appropriate for the Office of Special Counsel to review whether the conversion of Ms. English from a political appointment at OPM to a career position within CFPB adhered to the merit system principles," Johnson wrote.

Warren blasts Mulvaney for 'unjustified' actions at consumer bureau | The Hill
Sen. Elizabeth Warren (D-Mass.) accused the acting director of the consumer bureau of using concerns about cybersecurity to sabotage the agency's oversight of the financial sector. Warren, in a letter released Monday, said acting Consumer Financial Protection Bureau Director Mick Mulvaney had been "hobbling the agency" by suspending data collection. "I fear that the freeze in data collection has in practice fundamentally changed how the CFPB interacts with its regulated entities," wrote Warren to Mulvaney, also the director of the Office of Management and Budget, and deputy director Leandra English on Jan. 4. President Trump appointed Mulvaney as the CFPB's temporary head in November after former Director Richard Cordray resigned to run for Ohio governor. Mulvaney, a fierce critic of the CFPB, ordered employees to stop collecting consumer data in December.

Judge denies injunction to remove Mulvaney | LA Times

Aides to Top CFPB Critic Get Senior Jobs at Consumer-Finance Agency | Wall St. Journal
The Trump administration is hiring senior aides to a top Consumer Financial Protection Bureau critic to help run the consumer-finance regulator. House Financial Services Committee Chairman Jeb Hensarling (R., Texas) on Friday announced a second person who worked for him was going to the CFPB, a sign of the Republican lawmaker's growing influence over the bureau he has long criticized… Kirsten Sutton Mork is departing Mr. Hensarling's staff to serve as the CFPB's chief-of-staff, Mr. Hensarling said. She has worked for him since 2009, most recently as the committee's staff director. She will join Brian Johnson, a former senior counsel

for Mr. Hensarling's committee, who took a job as a senior adviser to Mr. Mulvaney in December.

Hensarling Endorses McWatters for CFPB Director | Credit Union Times

Ethics oversight casts doubt on decision to deregulate AIG | PoliticoPro
Mark McWatters, who chairs the National Credit Union Administration, helped provide the two-thirds vote AIG needed to escape Fed supervision. But his financial disclosure form suggests that a recusal would have been more appropriate because of certain assets McWatters held in AIG, an oversight he now seems to acknowledge.

That oversight raises questions about the validity of the decision to remove AIG's label as systemically important, and it comes to light as the Trump administration weighs whether to nominate McWatters to head the powerful CFPB.

CONSUMER FINANCE AND THE CFPB

2017 marked a year of tearing down consumer protections 'brick by brick' | LA Times (David Lazarus)
If you think the government has no business telling business its business, this has been a pretty great year. If, on the other hand, you think government has a role to play in ensuring fair play by companies that have shown themselves to be guided almost exclusively by self-interest and a disregard for consumers and public welfare, this year has been nothing short of horrendous. And 2018 doesn't look much better

Five ways financial laws could change in 2018 | The Hill
House members from both parties have lined up behind a Congressional Review Act resolution to repeal the CFPB's October rule on high-interest, short-term loans. Repealing the bureau's rule, which was meant to protect consumers from cyclical debt to payday and car title lenders, seemed too toxic for the CFPB's critics to touch. But their successful repeal of the bureau's forced arbitration rule in November inspired an attempt to revoke CFPB lending and debt collection restrictions. Republicans and a slew of Democrats from Florida — a payday lending hotbed — have sponsored a CRA resolution to repeal the rule. That bill would likely pass the House along party lines, but could face trouble in the Senate. The GOP will only have a one-seat majority when Sen.-elect Doug Jones (D-Ala.) joins the chamber, and Sens. John Kennedy (R-La.) and Lindsey Graham (R-S.C.) voted with Democrats to save the CFPB arbitration rule.

Payday rule will protect, not harm, vulnerable consumers | American Banker (William D. Gunter)
Criticism of payday lenders is well-earned. They have devised a system that rolls customers into one 300% annual interest loan after another, until those customers very often reach a point of serious financial desperation — they may lose their bank accounts and are more likely to declare bankruptcy than nonpayday borrowers.

New Rule Helps Combat High-Interest Payday Loans | NBC Dallas/Forth Worth (Wayne Carter)

Rep. Peterson is trying to relax restrictions on payday lenders | InForum (Hilary Ray)
I was startled to read that Rep. Collin Peterson, D-Minn., is co-sponsoring legislation to repeal the Consumer Financial Protection Bureau's defense of vulnerable constituents from predatory "payday lenders." Such lenders provide loans to people stricken with unexpected expenses, and typically demand payment on the borrower's next payday. The cost of these loans is such that borrowers, who commonly seek out payday or auto title loans because their circumstances make it difficult for them to borrow from more reputable lenders, struggle to repay the original loan and become trapped in a cycle of debt.

The website of one such lender (CashNetUSA) posts a chart showing the cost to borrow $100 for 10 days; while the initial $15 charge seems low, it represents an annual percentage rate of a whopping 548 percent. Those who scramble to find an extra $100 at short notice are no more likely to come up with $115 by the time payday rolls around, and the CFPB reports that more than four out of five payday loans are re-borrowed within a month.

The End for "Rent-A-Tribe" Payday Lending Schemes? | US PIRG (Ed Mierzwinski)
This month, Scott Tucker, an online payday lender who used his billions in proceeds to fund his auto racing dreams, including buying a $1.3 million Ferrari and running a LeMans Series racing team, was sentenced to 16 years in jail on federal racketeering charges. Last fall, his former business partner Charles Hallinan, known as the Philadelphia Main Line "godfather" of payday lending, was also convicted of federal racketeering charges. Tucker and Hallinan's main business model? Their claim that their payday loan enterprises were for the benefit of Native American tribal partners and therefore subject to tribal immunity from state or federal laws. In an authoritative new report, a leading public interest law firm, Public Justice, now speculates: "Tribal Immunity" may no longer be a Get-Out-of-Jail Free Card for payday lenders." It's about time.

See Public Justice report, **“Stretching the Envelope of Tribal Sovereign Immunity”**

Senior CFPB lawyer to join fintech startup as general counsel | PoliticoPro

Wells Fargo withdraws arbitration bid in unauthorized accounts lawsuit | Reuters
Customers suing Wells Fargo in Utah over its practice of opening unauthorized accounts will have their day in court after the bank dropped its bid to force the case into arbitration. U.S. District Judge Clark Waddoups in Salt Lake City on Wednesday vacated a two-day trial that had been set for Jan. 22 to decide whether the case would be arbitrated and gave the bank until Jan. 30 to file a motion to dismiss the lawsuit.

Spike in delinquency rate mars outlook for personal loans | American Banker

Government's New Year's resolutions for helping consumers | Washington Examiner (Kyle Burgess)
[Congress] gave consumers an early Christmas present this year when it repealed another overly aggressive measure of the CFPB: the arbitration rule. Released in July, this measure would have prevented banks from requiring consumers to resolve disputes through arbitration rather than going to court. The idea of everyone having their day in court sounds good in theory, but the reality is plaintiffs would not be the primary beneficiaries of the resulting class-action litigation — their attorneys would be. There’s reason to hope, then, that members of Congress and the president will resolve to help consumers in the new year by pushing back against

regulations that drive up costs and restrict options.

NerdWallet CEO: Americans need the CFPB now more than ever | The Hill (Tim Chen)

Wells Fargo Earns New Ire from Bank Overseers | Wall St. Journal
Banking regulators in mid-2017 downgraded one part of a secret assessment of Wells Fargo & Co.'s health and strength, according to people familiar with the decision. The assessment—known as a bank's CAMELS score—ranks a firm on a variety of measures including capital, management and liquidity. The scores are confidential and can affect the level of insurance payments a bank must make as well as the level of regulatory oversight of a firm. The reduction in the management component of Wells Fargo's CAMELS score, which hasn't been previously reported, reflected concerns about Wells Fargo's management and its ability to manage risk, the people familiar with the decision said.

Senate Dems' bill would penalize credit reporting agencies for breaches | The Hill
Sens. Elizabeth Warren (D-Mass.) and Mark Warner (D-Va.) have introduced a bill aimed at penalizing credit reporting agencies for breaches in the wake of the Equifax data breach. The Data Breach Prevention and Compensation Act would provide the Federal Trade Commission (FTC) with additional direct supervisory authority over data security the agencies, as well as imposing penalties on the agencies and providing consumers with compensation as a means of preventing future breaches.

Elizabeth Warren's bill would thrash Equifax for another data breach | Yahoo Finance
On Wednesday, Senators Elizabeth Warren (D-Mass.) and Mark Warner (D-Virg.) unveiled a new bill designed to hold credit reporting agencies, companies that help determine consumers' creditworthiness by selling data to lenders, to a high standard of security and timely disclosure.

After Equifax breach, anger but no action in Congress | Politico
The massive Equifax data breach, which compromised the identities of more than 145 million Americans, prompted a telling response from Congress: It did nothing. Some industry leaders and lawmakers thought September's revelation of the massive intrusion — which took place months after the credit reporting agency failed to act on a warning from the Homeland Security Department — might be the long-envisioned incident that prompted Congress to finally fix the country's confusing and ineffectual data security laws. Instead, the aftermath of the breach played out like a familiar script: white-hot, bipartisan outrage, followed by hearings and a flurry of proposals that went nowhere.

Equifax hacking nightmare gets worse | Westover Review

Credit Unions Want Permanent Say Over Regulator's Budget | Wall St. Journal
Should credit unions have a say in their regulator's business? A financial deregulation bill that could become law next year would require the U.S. credit-union regulator to submit its budget to public comment, a change that critics say gives the industry a platform for influencing its overseer. The new budget process for the National Credit Union Administration has broader implications because it could set a precedent for other agencies that watch over the financial sector, such as the Consumer Financial Protection Bureau. The NCUA currently holds public meetings on its budget voluntarily, but the bill would formalize that process. Financial regulators like NCUA are generally funded by fees on the industries they oversee. Some, such as the

consumer bureau, set their own budgets, while others must win approval from Congress. If the bill becomes law, the NCUA will be the only financial regulator required to hold a public hearing where industry can weigh in on spending. “It is like letting the fox guard the henhouse. It is an attack on the core of independent oversight,” said Debbie Matz, who was chairman of the NCUA from 2009 to 2016.

Amazon Bank: Will Banking’s Worst Nightmare Come True in 2018? | CU Insight

Car buyers beware: Discrimination can hike your price | CBS News
The National Fair Housing Alliance said it sent eight pairs of car buyers -- one white, one not -- to shop separately at car dealerships in Virginia. Despite the fact that all the nonwhite test buyers were better qualified for loans, 62.5 percent received more costly pricing, which would have caused them to pay an average of $2,662.56 more.

Three-quarters of the time, white buyers also were given more financing options than buyers of color, according to NFHA's report, released Thursday.

See National Fair Housing Alliance report, **“Discrimination When Buying a Car: How The Color of Your Skin Can Affect Your Car-Shopping Experience.”**

EXECUTIVE COMPENSATION

The Future: Issues After the Publication of the CEO Pay Ratio | Pay Governance

FEDERAL RESERVE

Fed sent $80B in profits to Treasury for 2017 | PoliticoPro

See AFR letter on the importance of independent funding of the Federal Reserve.

INVESTOR PROTECTION AND RETIREMENT SAVINGS

Galvin’s office investigating Fidelity, others over pay practices | Boston Business Journal
[Massachusetts’] The state’s securities regulator is investigating Fidelity Investments and two other large brokerage firms following a Wall St. Journal report that the companies pay their financial advisers in a way that incentivizes them to direct customers to more expensive products.

Bill requiring fiduciary disclosure reintroduced in New Jersey | Investment News

SEC Swears In Peirce and Jackson | Reuters

SEC disbands stock market advisory committee | PoliticoPro

Court decision on DOL fiduciary rule expected in February | Investment News
A major court decision could be released on a lawsuit over the Labor Department's fiduciary rule after the partying is over next month on the Bayou.

Opponents and advocates of the regulation have been waiting for months for the Fifth Circuit Court of Appeals in New Orleans to issue its opinion. The court held a hearing last summer. The lead plaintiff in the case, the U.S. Chamber of Commerce, asked for a decision by last month.

Why financial planners should support a strong fiduciary rule | Financial Planning

What to Watch on the Fiduciary Front in 2018 | Wall St. Journal
The federal rule meant to protect retirement savers from conflicted advice was dealt a setback in 2017 as its full implementation was delayed. But consumers, state regulators and parts of the advisory industry have embraced its ideal of requiring retirement advice to be in investors' best interest.

Many Comments Critical of 'Fiduciary' Rule Are Fake | Wall St. Journal
A significant number of fake comments appear among thousands criticizing a proposed federal rule meant to prevent conflicts of interest in retirement advice, according to a Wall St. Journal analysis. At issue is the Labor Department's "fiduciary rule," which would require investment advisers handling retirement accounts to act in the best interest of clients. Written during the Obama administration, the proposed rule won't be fully implemented until July 2019, and the Labor Department is still gathering feedback about it on its website. Many of the comments weren't written by the people they were attributed to, the Journal analysis found.

'Fiduciary Rule' Poised for Second Life Under Trump Administration | Wall St. Journal
The Trump administration's threat to dismantle Obama-era rules that cracked down on conflicted advice from stock brokers won't mean no rules at all. Instead, they could emerge from a different regulator who Wall Street knows a little better.

The Securities and Exchange Commission is accelerating work on its own version of the "fiduciary rule," a regulation issued by the Labor Department that put restraints on brokers handling retirement accounts. The SEC's effort would affect all brokerage accounts—not just those for retirement funds—and could ban brokers from calling themselves financial advisers unless they accept a strict duty of loyalty to clients.

MORTGAGES AND HOUSING

Trump may weaken 'outdated' rules that force banks to lend to the poor | CNN Money
Redlining, the refusal by banks to lend to poor and minority communities, was so common decades ago that Congress passed the Community Reinvestment Act in 1977 to prevent it. For years, banks have been fighting these requirements to lend to underprivileged people -- and President Trump is listening as he continues his war on regulation.

Borrowers beware: These 3 mortgage rules could soon get a face-lift | Chicago Tribune
Getting a mortgage today is much different than it was before the financial crisis. Loans have to meet certain standards and there are many rules lenders and servicers have to follow. But after a shakeup in leadership at the Consumer Financial Protection Bureau, the future of some policies is uncertain. Here's why: The new acting director of the CFPB, budget director Mick Mulvaney, is expected to review regulations that haven't been finalized, and he may try to alter rules that are already in place.

Ben Carson's HUD just took a step backwards on fair housing | Washington Post
In President Barack Obama's second term, his administration tackled this long-standing issue with a regulation requiring jurisdictions receiving federal housing aid to make much more detailed analyses of their residential patterns and submit remedial plans to the Department of Housing and Urban Development (HUD). For the first time in almost half a century, this put teeth in the "affirmative" part of the Fair Housing Act. Opponents, including then-presidential candidate, now HUD secretary, Ben Carson, cried "social engineering" — though the new rule was the mirror image of mid-20th century policies, which had leveraged federal dollars to promote segregation. This past Friday, Mr. Carson's department announced that it would move back the existing deadline for compliance with the new rule, effectively postponing implementation for most communities until at least 2020. Mr. Obama's approach has not been repealed, but it has been cast into limbo.

PRIVATE FUNDS

Saving the Free Press From Private Equity | American Prospect (Robert Kuttner and Hildy Zenger)
Private equity has been gobbling up newspapers across the country and systematically squeezing the life out of them to produce windfall profits, while the papers last. The cost to democracy is incalculable…

Companies with names like Alden Capital, Digital First Media, Citadel, Fortress, GateHouse, and many others that you've never heard of have purchased more than 1,500 small-city dailies and weeklies. The malign genius of the private equity business model… allows the absentee owner to drive a paper into the ground but extract exorbitant profits along the way from management fees, dividends, and tax breaks. By the time the paper is a hollow shell, the private equity company can exit and move on, having more than made back its investment. Whether private equity is contained and driven from ownership of newspapers could determine whether local newspapers as priceless civic resources survive to make it across the digital divide.

REGULATION IN GENERAL

Consumers were the biggest losers of 2017 | NBC
American consumers took it on the chin in 2017, as regulations designed to protect them were weakened or eliminated by the administration of President Donald Trump and the GOP-controlled Congress. "Not only has progress been halted on rules to ensure that consumers are treated more fairly in the marketplace, but protections they already had have been rolled back," said Susan Grant, director of consumer protection and privacy at the Consumer Federation of America. In his first week in office, President Trump vowed to slash regulations by 75 percent or more. The administration's goal of "cutting the red tape" has resulted in what Robert Weissman, president of Public Citizen, the non-profit consumer rights advocacy group started by Ralph Nader, calls "a disaster" for consumers. "With companies like Wells Fargo and Equifax illustrating, yet again, that big companies feel completely free to exploit, rip off and endanger consumers, if it helps profits, the Trump administration rushed to remove the federal cops on the beat," Weissman said.

[We Need to Reinvent Regulation, Not Destroy It](#) | Huffington Post (Steven Cohen)
It's time to turn the page and reinvent regulation. Regulation is not cost free, but pollution, poisoned drugs and food, unsafe work sites, and unfair labor practices also bring high costs. There are very few advocates for poisoned food and dangerous work sites. The issue is who pays for the cost of compliance and how and when those costs are charged. This silliness of cutting the number of rules, or repairing the damaged psyches of our "discouraged" business leaders, really needs to be discarded. We need to grow up and figure out how to grow economic activity in ways that preserve the planet, protect workers, promote fairness and protect our children's future.

Five regulatory fights facing tech in 2018 | The Hill

Does regulation kill off business profits, as Trump claims? Not at all | Salon (Amanda Marcotte)
Despite some opportunistic posturing during the campaign about Wall Street "getting away with murder," Donald Trump's first year in office has been marked by an eagerness to help bankers hide the bodies… "I have so many people, friends of mine, with nice businesses, they can't borrow money, because the banks just won't let them borrow because of the rules and regulations and Dodd-Frank," Trump announced in February, when he signed an executive order aimed at drastically scaling back the reach of the 2010 Dodd-Frank Act, which was established in the wake of the 2008 financial collapse. He also called the law a "disaster." Trump is simply building on many years of Republican claims that Dodd-Frank is somehow bad for the economy...

But a new working paper from the National Bureau of Economic Research, written by University of Chicago researchers João Granja and Christian Leuz, supports the opposite contention: Stricter regulation can, in many cases, improve lending activity and benefit the economy. Granja and Leuz looked at a narrow section of Dodd-Frank that ended one regulatory system, which had been deemed overly lax, with a system that subjected many banks to more supervision over the ways they assessed and managed loans. It was a move that regulation skeptics feared would discourage small business lending, but Granja and Leuz found "little evidence that stricter supervision led to a credit crunch." Instead banks, on average, increased "their lending to small businesses following the regulatory transition by approximately 10 percent."

STUDENT LOANS AND FOR-PROFIT COLLEGES

For Students Swindled by Predatory Colleges, Relief May Only Be Partial | NY Times
The education secretary, Betsy DeVos, announced Wednesday that the department will have responded to more than 20,000 so-called borrower-defense claims filed by students from Corinthian Colleges, a defunct for-profit chain that spurred a federal crackdown on for-profit colleges. The claims, part of nearly 100,000 that have amassed and stalled under the Trump administration, include 12,900 approvals and 8,600 denials…

But the announcement that the department would begin discharging claims this week came with a caveat. The department's "improved process" would allow some students to recoup only partial damages if they are found to be gainfully employed, Ms. DeVos said.

DeVos Department Slamming Door on Defrauded Students | Huffington Post (David Halperin)
This morning in Washington, Betsy DeVos's Department of Education resumed the stakeholder sessions that are required by law in order for the Trump administration to repeal and replace Obama-era rules aimed at protecting students and taxpayers from abuses by predatory for-profit colleges… [T]he draft "borrower defense" regulations unveiled last week by the DeVos Department are a one-sided grant of power to the worst schools in the industry. This week's negotiated rule-making sessions, therefore, seem to be an absolute charade.

The DeVos drafts set up a range of major obstacles to former students getting loan relief after they were defrauded or abused by their schools — effectively rendering null and void the 1994 law that provides for such relief. The proposed DeVos rules also would ratify the for-profit college industry's disgraceful practice — which the Obama regulations had banned — of using forced arbitration clauses to deny students the right to sue for their injuries.

US proposals 'could shut poorest students out of universities' | Times Higher Education
A new bill, which is a major overhaul of the 1965 Higher Education Act, would end the subsidisation of student loan interest for certain means-tested loans, cut a programme that offers loan forgiveness to borrowers who work in public service jobs, set an unspecified cap on the amount of money that graduate students could borrow to cover tuition and living expenses, and eliminate a provision that allows borrowers to have part of their debt forgiven after making payments for 20 or 25 years.

Duped into paying for worthless degrees, these former for-profit college students could get their money back | Marketwatch

For-Profit Colleges Promise But Seldom Deliver Gainful Employment | Los Angeles Sentinel (Charlene Crowell)
New research by the Center for Responsible Lending (CRL) analyzed student debt on a state-by-state basis. An interactive map of CRL's findings reveal on a state basis each of the 50 states' total undergraduate population, for-profit enrollment, and the top for-profit schools by enrollment for both four-year and two-year institutions.

Entitled The State of For Profit Colleges, the report concludes that investing in a for-profit education is almost always a risky proposition. Undergraduate borrowing by state showed that the percentage of students that borrow from the federal government generally ranged between 40 to 60 percent for public colleges, compared to 50 to 80 percent at for-profit institutions.

A New Betsy DeVos Proposal Would Make It Much Tougher For Students To Get Loan Forgiveness | Buzzfeed

Elizabeth Warren wants the Education Dept.'s use of earnings data investigated | Washington Post

Never mind sleazy tactics, feds ease up on for-profit colleges | Sun Sentinel

Betsy DeVos's Gut Punch to Defrauded Students | New Republic

Scamming for-profit schools roar back under Betsy DeVos | Chicago Sun Times (editorial)

SYSTEMIC RISK

Exempting Small Banks From Volcker Rule Is Popular, but Not With Their Regulator | Wall St. Journal

A Senate proposal to exempt thousands of small U.S. banks from the Volcker rule restrictions on speculative trading is winning broad support—except from the regulator that oversees most of those banks. Officials at the Federal Deposit Insurance Corp. say the exemption could let new risks creep into the banking system. “I think this would be a loophole,” said FDIC Vice Chairman Thomas Hoenig in an interview. “It does open a door, if you are oriented to use deposits to speculate.” Other bank regulators support the bill by Senate Banking Committee Chairman Mike Crapo (R., Idaho), which includes other regulatory changes. So do Republicans and at least 11 Democratic senators, giving it good odds of passing in 2018.

TAX BILL AND TAX ISSUES

Tax reform will fatten paychecks for 2 million Americans and maybe more | Fox Business

VIRTUAL CURRENCIES

Who Regulates Bitcoin Trading? No U.S. Agency Has Jurisdiction | Wall St. Journal
Investors are frantically trying to learn everything they can about bitcoin—and so are regulators. Furious trading in cryptocurrencies is testing many in the Trump administration who are eager to embrace financial innovation, after nearly a decade of tighter clamps on risk-taking put in place after the 2008 financial crisis. The Commodity Futures Trading Commission, the agency with closest oversight of bitcoin trading, began the year by launching an in-house lab to encourage advances in blockchain, the technology that underpins digital currencies. Yet the regulator recently sounded an alarm on bitcoin itself, noting most exchanges are completely unregulated while the cryptocurrency is prone to wild price swings and potential flash crashes. The CFTC has labeled bitcoin a commodity, but as with other commodities, the agency mostly lacks jurisdiction over the primary market: It regulates corn futures contracts but not the buying and selling of corn itself, for instance. As a result, bitcoin exchanges don’t have to tell participants how they operate, such as whether they offer preferential access to certain traders.

CFTC Moves to Address Industry Concerns Over Virtual Currencies | Wall St. Journal
The top U.S. derivatives regulator is moving to address financial-industry concerns over its oversight responsibilities for virtual currencies and related futures products. Two Commodity Futures Trading Commission advisory committees, which include both regulators and industry participants, will meet in late January to address issues related to policing activity on virtual-currency exchanges, the clearing of bitcoin futures and the unique risk of fraud and manipulation related to virtual currencies.

SEC warns cryptocurrency investors of rampant illegal trading | The Hill
The Securities and Exchange Commission (SEC) warned investors Thursday that those firms and brokers who offer cryptocurrency investments are often breaking federal trading laws. In a joint statement, SEC Chairman Jay Clayton and commissioners Kara Stein and Michael Piwowar also said the agency faces severe challenges in recovering losses for jilted cryptocurrency investors. The SEC treats cryptocurrencies like bitcoin as securities, holding them subject to the same disclosure laws as other commonly traded assets. The agency has blocked initial coin offerings (ICOs), sales of cryptocurrencies meant to raise capital for a business, that don't follow federal trading laws.

OTHER TOPICS

Behind The Duck: Former Aflac Employees Allege Fraud And Abuse In Nearly Every Aspect Of Company | The Intercept