This Week in Wall Street Reform | Jan. 13 – 19

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THE TRUMP ADMINISTRATION, CONGRESS AND WALL STREET

Trump calls for looser rules for bank loans in Dodd-Frank overhaul | The Hill
President Trump said Tuesday that he's looking to loosen restrictions on consumer lending as he and Republican colleagues push to roll back the Dodd-Frank Act. Trump said during a White House event Tuesday he wants to give banks the freedom to loan to customers deemed too risky under Dodd-Frank, the sweeping post-crisis financial rules enacted in 2010.

Trump to let MetLife escape stricter regulation | Politico Pro
The Trump administration will drop a challenge to a court decision that allowed MetLife to avoid oversight by the Federal Reserve, people familiar with the matter said, handing a major victory to the giant insurer after it fought for years to evade stricter scrutiny.

The move could come as early as Thursday, when the Justice Department faces a deadline to file a brief in the case… The decision would mark the Trump administration's latest attempt to walk back financial system oversight measures that were enacted as part of the 2010 Dodd-Frank law.

House Panel Advances Slew of Reg Reform Bills | ThinkAdvisor
House Financial Services Committee Chairman Jeb Hensarling, R-Texas, said the bills the committee passed were designed to lift regulatory burdens.

"Even as tax reform is massively boosting our economy, regrettably excessive regulation will continue to clog the arteries and prevent the free flow of capital that is the lifeblood of economic growth," Hensarling said.

Congress, he continued, "must do more to reduce the burdensome and often unnecessary red tape that prevents companies from growing and creating more and better jobs and those regulatory burdens that hinder Main Street financial institutions from serving their customers."

Some of the 15 bills, which advanced to the full House, include measures that were included in Hensarling's Financial Choice Act, which was designed to dismantle the Dodd-Frank Act. The Act passed the House but is seen as having little chance at getting through the Senate.

House Panel Approves Bill Exempting Most CUs From CFPB Rules | CU Times

House Committee Passes Several ABA-Backed Bills | ABA Banking Journal

See **AFR letter** opposing 12 financial deregulation bills that came before the House Financial Services Committee on Dec. 17th.

Rolling back regulations often comes before a financial meltdown, according to 300 years of history | QUARTZ (John Detrixhe)
The blame for financial meltdowns often focuses on irresponsible traders and greedy bankers. But politicians, whose policies sometimes fan the flames, deserve scrutiny as well, according to a fascinating analysis of booms and busts since the 18th century by Jihad Dagher, an economist at the IMF. The research serves as a warning, of sorts, as the Trump administration seeks to relax banking regulations introduced after the last crisis. The cycle of booms followed by deregulation, crises, and re-regulation has repeated itself over the past 300 or so years.

Have Banker Deregulation Demands Jumped the Shark? | U.S. Pirg (Ed Mierzwinski)
When a tired TV show desperate for viewers goes over the top with wacky plots, it is said to have "jumped the shark," as when Fonzie of Happy Days jumped a shark while water-skiing. It didn't work and the show faded. Unfortunately, even after the Wells Fargo debacle and even as bank profits return to record levels after the 2008 financial collapse, it hasn't happened with bank deregulation "viewers." Members of Congress viewing bank demands continue to show an unslaked appetite for granting them -- even the most over-the-top, outrageous proposals to take consumer and financial system safety cops off the bank beat. Meanwhile, the public -- by wide, non-partisan margins -- wants to keep the cops on the beat.

Democrats Add Momentum to G.O.P. Push to Loosen Banking Rules | NY Times
The Senate is poised to approve significant changes to the post-crisis financial law. Some moderate Democrats are supporting the effort, even as their progressive colleagues warn that it’s too risky.

CONSUMER FINANCE AND THE CFPB

A new name emerges as possible head of CFPB | American Banker
A new name has surfaced in the sweepstakes to be the next Consumer Financial Protection Bureau director amid growing skepticism that the White House's first choice, J. Mark McWatters, will get the nod. Johnathan Dever, a Republican Ohio state representative and defense lawyer, is being touted as a top candidate to lead the bureau, according to multiple insiders.

Consumer bureau asks for complaints about agency practices ahead of major shake-up | The Hill
The Consumer Financial Protection Bureau (CFPB) is asking the firms its regulates to submit complaints about the agency’s core actions. The CFPB announced Wednesday that the agency will ask “for evidence to ensure the bureau is fulfilling its proper and appropriate functions to best protect consumers.” The request is the latest step forward in acting Director Mick Mulvaney’s effort to draw back the bureau’s aggressive regulatory and enforcement actions.

Mulvaney requests no funding for Consumer Financial Protection Bureau | Politico
Every quarter, the Consumer Financial Protection Bureau formally requests its operating funds from the Federal Reserve. Last quarter, former director Richard Cordray asked for $217.1 million. Cordray, an appointee of President Barack Obama, needed just $86.6 million the quarter before that. And yesterday, President Donald Trump's acting CFPB director, Mick Mulvaney, sent his first request to the Fed. He requested zero. In a letter to Fed chair Janet Yellen obtained by POLITICO, Mulvaney wrote that the bureau already has $177 million in the bank, enough to cover the $145 million the bureau has budgeted for its second quarter. Cordray had maintained a "reserve fund" in case of overruns or emergencies, but Mulvaney said he didn't see any reason for it, since the Fed has always given the bureau the money it needs. Mulvaney, who is also Trump's budget director, noted that instead of advancing the funds to the bureau, the Fed could return them to the Treasury and reduce the deficit.

Consumer bureau takes first step to revising payday lending rule | The Hill
The Consumer Financial Protection Bureau (CFPB) announced Tuesday that it would accept applications from lenders to waive the first deadline for complying with its payday lending rule. The move comes as acting CFPB Director Mick Mulvaney and staff consider changes to the agency's hallmark rule. The rule, aimed at protecting consumers from incurring crippling debts through short-term, high-interest loans, took effect on Tuesday.

Cordray blasts consumer bureau's 'pseudo-leaders' over payday loan rule review | The Hill
The former director of the Consumer Financial Protection Bureau (CFPB) blasted his successor in a series of tweets Wednesday for attempting to unwind the agency's rule on payday lending. Richard Cordray, the bureau's first director, panned the CFPB's plans as "truly shameful action by the interim pseudo-leaders" of the bureau, now overseen by Acting Director Mick Mulvaney.

Payday Lenders Find Friends at the Consumer Financial Protection Bureau | St. Louis Post-Dispatch (editorial)
Mulvaney, whose day job is President Donald Trump's budget director, once called the CFPB a "sad, sick joke." What's sad and sick is that the Trump administration thinks predatory lenders need more protection than consumers…

In Missouri, payday-loan interest rates can run as high as 452 percent per year. To dodge such regulation, payday lenders in Missouri increasingly have switched to 120-day "installment loans" that can carry large origination fees and have no interest caps. The industry's supporters say payday lenders are often the only source of credit for desperate consumers coping with financial emergencies. That argument would be more persuasive if the payday industry didn't spend so much on political donations to block better alternatives — a 36 percent interest cap, for example — from enactment.

Changes at the Consumer Financial Protection Bureau: Acting Director Mulvaney Calls for Review | CrowdFund Insider (JD Alois)
No one wants anyone to be taken advantage of by unscrupulous lenders charging usurious interest rates. And it is a fact that some erstwhile lenders end up being more shark than banker. But the fact of the matter is, there is a need for risk priced lending to the under-banked or non-banked sector of the population. There are times when people need a loan and the corner

bank is not an option and credit cards, well they are no good either. The polemics regarding PayDay lending is not the only topic of debate. There are other topics of importance including the widely panned approach regarding the CFPB's arbitration rule, a decision that was described as lining the pockets of trial attorneys. Regarding Fintech development, the CFPB's feeble attempt at enabling financial innovation was slammed as a total "flop." In fact, at one point last year, the CFPB's structure was actually deemed unconstitutional.

Quick Thoughts on CFPB Reconsidering Small Dollar Lending Rule | Compass Point
On January 16, the CFPB announced that it would "reconsider" its small dollar lending rule. The CFPB was fully expected to reconsider the small dollar lending rule, which is also referred to as the payday lending rule, given recent leadership changes at the Bureau. While the road ahead is lengthy, and state-level activity remains likely, the CFPB's decision to reopen the small dollar rule should be viewed as: (1) an unequivocally positive development for payday and auto title lenders; (2) a welcome opening for banks eager to secure the return of a deposit advance product; and (3) a modest policy disappointment for pure-play installment lenders that hoped to benefit from the rule's competitive impacts.

Consumer watchdog considering repeal of payday lending rule | Star-Telegram

Reaction: CFPB Revisiting Payday Lending Rules 'Is Unacceptable' | Credit Union Times (David Baumann)

CFPB Signals Shift by Dropping Payday Lender Lawsuit | Bloomberg (Zeke Faux)
The Consumer Financial Protection Bureau is dropping a lawsuit against a group of payday lenders associated with an American Indian tribe in a sign the regulator is changing direction under Mick Mulvaney, the acting director appointed by the Trump administration.

The agency had accused the lenders of deceiving consumers and failing to disclose the true cost of the loans, which carried interest rates as high as 950 percent a year. The agency asked for the case in federal court in Kansas to be dismissed in a court filing on Thursday, giving no details about its reasoning.

Is CFPB's Mulvaney waging war on the agency he runs? | American Banker (Kate Berry)
If anyone has doubted that acting Consumer Financial Protection Bureau Director Mick Mulvaney intends to overhaul the agency, the last three days alone have put those doubts to rest.

Just this week, the CFPB reportedly withdrew an April 2017 lawsuit against four online payday lenders, signaled it would tighten up on its spending, launched a public review of all the bureau's activities and announced that it would reopen the payday lending rule.

CFPB drops payday lending case, stoking fears | Kansas City Star
Without explanation, the Consumer Financial Protection Bureau has dropped a lawsuit in Kansas it had filed a year ago against four payday lending companies. The move reinforced worries among consumer advocates that the federal watchdog agency is backing away from scrutinizing the payday lending industry.

The CFPB, a federal agency formed in 2011 in the aftermath of the Great Recession, filed a notice of voluntary dismissal Thursday in its case against Golden Valley Lending and three other payday lending enterprises: Silver Cloud Financial, Mountain Summit Financial and Majestic Lake Financial.

The agency had alleged in its lawsuit that the four companies charged interest rates of 440 percent to 950 percent, beyond what several states allow for consumer loans.

See statements by **Stop the Debt Trap Campaign**, **Allied Progress**, **Center for Responsible Lending**, **Consumer Federation of America**, **National Consumer Law Center**, **Prosperity Now**, **Cooperative Baptist Fellowship**, **Indiana Assets & Opportunity Network**, **Maine People's Alliance**, **North Dakota Economic Security & Prosperity Alliance**, and **Tennessee Citizen Action**.

Payday loan shark Scott Tucker of Leawood is featured in Netflix's 'Dirty Money' | Kansas City Star
Convicted payday loan shark Scott Tucker of Leawood is the subject of an episode in a new Netflix documentary series called "Dirty Money…" Tucker infamously ripped off as many as 4.5 million people with predatory loans and interest rates of 600 percent and higher.

Borrow $5,000, repay $42,000 — How super high-interest loans have boomed in California | Los Angeles Times (Andrew Khouri and James Rufus Koren)
Joann Hesson, sick with diabetes for years, was desperate. After medical bills for a leg amputation and kidney transplant wiped out most of her retirement nest egg, she found that her Social Security and small pension weren't enough to make ends meet.

As the Marine Corps veteran waited for approval for a special pension from the Department of Veterans Affairs, she racked up debt with a series of increasingly pricey online loans.

In May 2015, the Rancho Santa Margarita resident borrowed $5,125 from Anaheim lender LoanMe at the eye-popping annual interest rate of 116%. The following month, she borrowed $2,501 from Ohio firm Cash Central at an even higher APR: 183%.

Debt bill hurts consumers | Brownsville Herald (Mary Spector, Genevieve Hebert Fajardo and Neil L. Sobol)
Why is Rep. Gonzalez backing a bill that would shield lawyers from liability for false, deceptive, misleading, and unfair practices when collecting debts in courts?

Texans like to boast that everything is bigger here. Unfortunately, when it comes to consumer debt in collection, they are correct. A recent study by the Urban Institute, a nonpartisan economic and social science research group, reported that more than 44 percent of Texans had some form of debt in collection. That's 11 percent higher than the national average, putting Texas second only to Louisiana.

Lawmakers back longer, higher-interest payday loans | Orlando Sentinel (Gray Rohrer)
Nearly 17 years after the Legislature passed strict rules governing payday loans, a bipartisan push to loosen some of those regulations has emerged, which would push annualized interest rates up to more than 200 percent. Critics say the move will plunge poor people who become dependent on the short-term loans even deeper into a "debt cycle." Such loans are "seductive" to low-income workers facing unexpected expenses or who don't have access to traditional

banks and finance options, says Alice Vickers, attorney for the Florida Alliance for Consumer Protection, a consumer advocacy group.

Goldman takes new steps to boost demand for its personal loans | National Mortgage News
Goldman Sachs has started marketing its personal loan product as a way to pay for home improvements, the latest step in the New York investment bank's push to build a consumer lending franchise.

Congress should vote down this harmful debt collection legislation | The Hill (Bart Stichman and Margot Saunders)
This week, the House Financial Services Committee will vote on whether to open the floodgates to abusive litigation conduct by debt collection attorneys and debt buyers who work in their name. The Practice of Law Technical Clarification Act would unwind a bedrock protection for the 77 million Americans with debts in collection, including struggling families, elders, servicemembers and veterans.

Trump and Your Finances | USA Today (Paul Davidson)
A rule passed by the Consumer Financial Protection Bureau (CFPB) and set to take effect next spring would have allowed customers of banks, credit-card companies and others to join in class-action lawsuits. Currently, many financial firms require consumers to resolve any disagreements through arbitration. Consumer advocates say customers deserve to have their day in court. They cite the cyberbreach at credit rating agency Equifax and the scandal over unauthorized accounts at Wells Fargo as examples that justified class-action challenges. But the financial industry says customers typically win bigger payouts through arbitration than through class-action suits, which, they argue, mostly benefit lawyers. Average relief for consumers in arbitration cases was $5,389 compared to $32.35 in class action settlements, according to a CFPB study of disputes that were resolved between 2010 and 2012. However, consumers got relief in just 9% of arbitration cases compared to about 25% of class-action suits that reached settlements.

FEDERAL RESERVE

Two Federal Reserve Openings Provide One Chance to Counter Trump | NY Times
The New York Fed chooses its own president, a position that is often described as the second-most powerful at the Fed. The regional bank is responsible for implementing the Fed's monetary policy decisions — raising or lowering interest rates through the purchase and sale of financial assets — and it oversees many of the nation's largest financial institutions.

Some of Mr. Trump's political opponents see an opportunity to fill that opening with a counterweight to the president's economic agenda.

"The appointment of the next New York Fed president is the most powerful appointment in America that Donald Trump doesn't control," said Marcus Stanley, policy director of **Americans for Financial Reform**, which lobbies in favor of strong regulation. "Our job is making sure everyone knows the stakes of this appointment, and making sure their interests as working people are protected."

Quarles lays out roadmap for simplifying Fed's regulations | **Politico Pro**

Quarles: Fed still intends to implement net stable funding ratio | **Politico Pro**

In replacing Dudley, NY Fed aims to avoid political pitfalls | **Business Insider**

INVESTOR PROTECTION AND RETIREMENT SAVINGS

Busting DOL fiduciary rule myths of industry opponents | **Investment News**
Claims that the regulation will harm the 'average Joe' investor by increasing costs, reducing access to advice and derailing retirement plans are bogus

DOL Court Appeal Ruling Might Take Time | **Insurance News Net**
The financial services industry has waited months for a ruling on a promising appeal of the Department of Labor fiduciary rule. They might be waiting for a lot longer, said one legal expert. The Fifth Circuit Court of Appeals in New Orleans might have shelved its appeal decision while the DOL completes a review of the controversial fiduciary rule, said Bruce L. Ashton, lawyer with Drinker, Biddle & Reath in Los Angeles.

Investment companies fight effort to undo fund rules | **Politico Pro (Zachary Warmbrodt)**

MORTGAGES AND HOUSING

You Think Your Landlord Is Bad? Try Renting From Wall Street | **The Intercept**
Since their debut in 2013, rent-backed securities have ballooned into a nearly $20 billion market that won a first-of-its-kind taxpayer backing from Fannie Mae in January 2017. Last month, Freddie Mac announced its own single-family rental financing deal. These developments augur continued growth of the controversial industry, and many affordable housing and consumer advocates are calling for additional regulations...

Wall Street's turn as landlord coincides with historic lows of U.S. homeownership. In 2011, analysts at Morgan Stanley proclaimed that the nation was undergoing a transition from an "ownership society" to a "rentership society." This transition has occurred, in large part, thanks to Wall Street's own efforts.

Early on, observers like Gordon raised concerns that Wall Street's "rentership society" could crowd out would-be homebuyers and put tenants and recovering neighborhoods at risk. The report released this week by **Americans for Financial Reform**, ACCE Institute, and Public Advocates contends that these fears have come to pass.

Tenants across America are being exploited by corporate landlords, report finds | **Inman**
The corporate landlords that have snatched up hundreds of thousands of homes in the wake of foreclosure crisis have turned the American Dream into a "nightmare," according to a report released by three activist groups.

The report claims companies that own and operate rental homes–such as Invitation Homes, American Homes 4 Rent and Tricon often mistreat and overcharge tenants–due to a profit-driven investment strategy that dilutes the traditional relationship between landlord and tenant. The allegations are not new, but the report stands out for its level of detail and activist agenda, putting human faces on alleged misdeeds and recommending policies such instituting rent control and “speculator’s fees.” The report was jointly produced by the Alliance of Californians for Community Empowerment (ACCE), **Americans for Financial Reform** and Public Advocates Inc.

What Happens When Wall Street Becomes Your Landlord? | TruthOut/Inequality.org (Negin Owliaei)
When José Rivera moved into his house, he thought he was on the path to home ownership. But after several years and more than $90,000 in rent, he can't even get his landlord to fix the broken pipe that leaked raw sewage into his home.

Rivera's landlord is Colony Starwood Homes, a rental giant backed by Wall Street investment firms. When he first told the company about his leaky pipe, they cleaned the carpet, but left the sewage issue alone. When the pipe leaked again, Rivera filed another complaint -- and five days later, he received a notice to vacate.

Rivera is just one of the many renters highlighted in a just-released report looking at the new face of financialization in the housing market. The report is authored by three consumer advocacy and housing rights groups -- the Alliance of Californians for Community Empowerment (ACCE), **Americans for Financial Reform**, and Public Advocates...

As Rents Rise, Advocates in Multiple Markets Push for New Rent Control Laws | National Real Estate Investor

Wall Street investors renting out thousands of Orlando-area homes | Orlando Sentinel

Lawmakers Seek to Ease Mortgage-Disclosure Rule for Small Lenders | Wall St. Journal
The House is expected to vote next week on a bill aimed at easing mortgage-disclosure requirements for smaller lenders. The legislation would allow a significant proportion of community banks and credit unions to escape reporting requirements that came into effect this month. The new requirements fall under the Home Mortgage Disclosure Act, a law enacted in 1975 to curb discrimination against minority borrowers. The bill introduced by Rep. Tom Emmer (R., Minn.) has a good chance of becoming law because a broad Senate financial-deregulation bill, introduced in November with bipartisan support, includes a similar provision. Mr. Emmer said he expected a few House Democrats to support his bill. The bill is expected to cover roughly a quarter of the U.S. mortgage market, Mr. Emmer said in an interview.

FHFA Recommends Government Guarantee in Housing Finance Overhaul | Politico Pro

See statement by **Rep. Maxine Waters**

Tax Overhaul Is a Blow to Affordable Housing Efforts | NY Times (Conor Dougherty)
The last time that Congress approved a sweeping overhaul of the federal tax code, in 1986, it created a tax credit meant to encourage the private sector to invest in affordable housing. It has grown into a $9 billion-a-year social program that has funded the construction of some three million apartments for low-income residents.

But the Republican tax plan approved last month amounts to a vast cutback, making it much less likely that such construction will continue apace.

REGULATION IN GENERAL

How Donald Trump Has Remade the Rules for Business | Wall St. Journal
The Trump administration in its first year has pushed for deregulation across industries. The effort has included high-profile actions, such as reversing Obama-era rules on internet traffic and power-plant emissions. But there have been hundreds of narrower steps as well, and in some cases the Republican Congress has reversed the previous administration's actions. The deregulatory moves are in various states of completion—some are done, some are proposed, and some proposals are still in the works.

Creating Trusted Regulatory Policy | Regulatory Review (E. Allan Lind and Christiane Arndt)

STUDENT LOANS AND FOR-PROFIT COLLEGES

The Biggest Problem for State Higher-Ed Policy? Federal Higher-Ed Policy | Chronicle of Higher Education (Tom Bartlett)
The biggest concern for state higher-education policy in 2018 isn't the continuing economic volatility, the questions about affordability for students, the disputes about free speech on campuses, or the difficulties in preventing and punishing campus sexual assaults.
Instead, the top issue for states is the uncertainty created by the federal government, according to an annual report from the American Association of State Colleges and Universities.

Black Colleges Swept Up in For-Profit Crackdown Find Relief From DeVos | NY Times

For-Profit College Students Are Defaulting on Their Loans at an Alarming Rate | Money Magazine

Senate Democrats are trying to stop for-profit colleges from converting into nonprofits | Thinkprogress

The looming student loan default crisis is worse than we thought | Brookings Institution

Experts: Department of Education proposal could hurt student loan borrowers | Daily Orange (India Miraglia)

Brookings Study Highlights Student Loan Default Data | Student Loan Reports (Drew Cloud)

What College Is Like as a Single Mother | Atlantic (Emily Hanford and Alex Baumhardt)

SYSTEMIC RISK

OCC issues upbeat report on risks facing banks | Politico Pro (Victoria Guida)
The Office of the Comptroller of the Currency today released an upbeat report on risks facing the banking industry, highlighting complacency as the biggest concern.

Citi CFO: Not fair to ease backup capital rule only for custody banks | Politico Pro

Wells Fargo Risk Chief to Retire as Scrutiny of the Bank Continues | Wall St. Journal
Wells Fargo & Co.'s Chief Risk Officer Mike Loughlin is retiring as the bank continues to face heightened regulatory scrutiny, especially over its risk- management practices… The Wall St. Journal reported earlier in January that banking regulators downgraded one part of a secret assessment of the bank's health and strength that focuses on Wells Fargo's management and its ability to manage risk.

OTHER TOPICS

Elizabeth Warren Wants to Know Why a Banned Banker Is a Senior Adviser at the EPA | Intercept