Americans for Financial Reform

# This Week in Wall Street Reform | June 2 – 8

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## THE TRUMP ADMINISTRATION, CONGRESS & WALL STREET

**Fed Makes a Risky Bet on Banks | NY Times (editorial)**
After financial institutions' casino-like investments in complex derivatives and questionable mortgage lending nearly collapsed the global financial system a decade ago, Congress established the Volcker Rule as part of the Dodd-Frank reform act in 2010. The Volcker Rule restricted banks from speculating with depositors' money. It limited them to trading on behalf of customers — market making — or to hedge potential risks from swings in interest or foreign currency rates. The banks were also banned from investing in hedge funds and private equity funds.

Not any more, it seems. Under a revision proposed by the Federal Reserve on Wednesday, banks would establish their own risk limits and determine whether such trades are compliant, rather than running every trade they make on behalf of clients by the regulators.

In other words, trust them, they're risk-taking experts.

**Banks Try on New Volcker Rule, Like Its Wiggle Room. | Bloomberg**
Will banks start acting like hedge funds again...?

Most regulators say no because proprietary trading remains banned. What's more, they say, at banks with trading portfolios of $1 billion or more (the Fed says there are about 40 of them, accounting for 98 percent of total bank trading), the CEO still must attest that the rules have been followed. On the other hand, critics say some lenders may feel emboldened to take on more risk now that they have brighter lines between what's permitted and what's not. Kara M. Stein, a member of the Securities & Exchange Commission, one of the five agencies involved, said the rewrite "cleverly and carefully euthanizes the Volcker Rule."

Another opponent, Marcus Stanley, policy director at **Americans for Financial Reform**, which advocates for tougher Wall Street oversight, said the re-do is "an attempt to unravel fundamental elements of the response to the 2008 financial crisis, when banks financed their gambling with taxpayer-insured deposits."

**Do not go gently into that financial regulatory rollback | Washington Post (Jared Bernstein)**
Although I don't see any large credit bubbles in the system today, and many of the Dodd-Frank rules remain in place, I guarantee you that, absent strong guardrails, the finance sector will eventually drive off the cliff. The driver will once again parachute out, but the rest of us

passengers will not have that luxury. The only way to avoid this fate is for enough of us to become the countervailing force that does not succumb to the regulatory amnesia. Our goals should be twofold: Avoid regulatory rollbacks and introduce a small tax on financial transactions, to both dampen excessive, noisy trading and raise revenue for progressive uses. By remembering the not-so-distant past, just maybe we will not be condemned to repeat it.

**Behind the Scenes of Senate Democrats' Bruising Bank Fight | Huffington Post**
Senators do publicly unpopular things because they think voters aren't really paying attention and believe the marketing that hits the airwaves during campaign season will outweigh any bad press in the interim. It's not a crazy calculation. But it may well be wrong. Brown represents a state Trump won in 2016, as do Sens. Tammy Baldwin (D-Wis.) and Bob Casey (D-Pa.). All three voted against the bill.

"Quite apart from the very bad policy in the Crapo bill, the days when you can neutralize the very bad politics of bank deregulation by simply labeling a bill as bipartisan and all about community banks are long gone, if they ever existed," said Carter Dougherty, a spokesman for **Americans for Financial Reform…** "We're in a world where the public, across parties and demographics, believes we need tougher regulation of the financial services industry."

**Democrat Heidi Heitkamp voted to deregulate banks. Now a Koch brothers group is publicly thanking her. | Vox**
Heitkamp has received more money from commercial banks than any other senator — $182,563 so far in 2018, according to OpenSecrets, including from Goldman Sachs. Indiana's Democratic Sen. Donnelly is close behind with $152,109, while Tester has received $139,869.

"You can see the payoffs for having friends on both sides of the aisle when it comes to industry," said Marcus Stanley, the policy director for **Americans for Financial Reform**. "When you're on the banking committee, you become a target for industry lobbying. She's been one of the more conservative members of the banking committee."

**Trump's Bank Regulator Flips Obama's Script | Wall St. Journal**
The banking industry has a new partner in Washington: a top federal regulator, Joseph Otting. Sworn in as Comptroller of the Currency in November, Mr. Otting is the first banker in decades to run the obscure but powerful comptroller's office, or OCC. The office oversees huge banks such as Bank of America Corp. and U.S. Bancorp , two of his former employers. His resume also includes a stint working alongside Steven Mnuchin, now the Treasury Secretary, atop a bank whose foreclosure record has made it a lightning rod. His arrival represents the latest change in Washington's relationship with bankers, which has swung from hands-off regulation in the years leading up to the 2008 bank bailouts to aggressive and sometimes antagonistic in the following years.

**Most Forecasters See Modest Growth Boost From Regulation Rollback | Wall St. Journal**
Most economists think the U.S. will experience somewhat stronger growth in the coming years Among dozens of forecasters surveyed in recent days by The Wall Street Journal, 61% said they expected U.S. growth in the medium term would be modestly stronger thanks to the bill signed last month by President Donald Trump. Some 33% said they expected no effect on economic growth from the rules-rollback. Few expected a decline or significant increase.

## CONSUMER FINANCE AND THE CFPB

**Mulvaney Sides With Payday Lenders Asking Court to Block Restrictions | NY Times**
"In order to reopen a rule, you have to go through the same process you did to create it," said Linda Jun, a senior policy lawyer for **Americans for Financial Reform**. "You have to give notice and let the public say their piece. You don't get to say, 'I just don't like it, so I'm going to do a legal end run around it.'"

**CFPB's Mulvaney Joins Payday Industry to Fight Regulation | Washington Informer (Charlene Crowell)**
Every day, American school children are taught about this country's founding. Untold generations were taught that in a democracy, government is "of, by, and for the people." Yet when it comes to consumer finance, some who serve in government seem to have forgotten whom they work for. Mick Mulvaney, the illegally appointed acting director of the Consumer Financial Protection Bureau (CFPB), is a glaring example of one who appears to consistently relegate the financial concerns of America's people in favor of businesses that harm instead of help consumers. His support of the payday and small-dollar lending industry is a prime example…

"Mick Mulvaney has been doing the bidding of payday lenders for years; but putting the CFPB's weight behind a joint legal motion with their lobbyists is a new low, even for him," said Jose Alcoff, the payday campaign manager for **Americans for Financial Reform**.

See AFR statement**.**

**Mulvaney looks to shut down database of consumer complaints | LA Times (David Lazarus)**
The Trump administration may shut down a federal database of consumer complaints about the financial-services industry. Banks think that's a swell idea…

The Trump administration wants to spare its business buddies the annoyance of customers revealing unfair, unethical and unscrupulous practices.

If, as they say, sunlight is the best disinfectant, then darkness is the perfect place to grow the mold and mildew of corporate chicanery.

**States Ask CFPB to Keep Complaints Database Public | Bloomberg**
State law enforcers risk losing a valuable tool to help "identify patterns of widespread misconduct," New York Attorney General Barbara D. Underwood and 13 other state AGs said in a June 4 comment letter to the Consumer Financial Protection Bureau.

The letter is in response to the CFPB's March 6 request for comment on whether to change reporting practices for the database. Comments due June 4 reveal the entrenched polarization between consumer groups and the financial services industry over the importance of publishing consumer complaints on mortgages, for-profit universities, auto loans, debt collection, and credit and debit card charges.

See letter from 14 state Attorneys General.

**Digging out of Debt: Minnesotans tackle payday loans | WDAY Channel 6**
Banks and churches are teaming up to get people in crisis out of payday loan debt… Exodus Lending pays off the entire payday loan. Then the client pays Exodus the loan amount over a 12-month period, with no interest tacked on.

**Moorhead officials explore alternatives to payday lending | InForum**

**We Need the CFPB's Rule to Stop Payday Loan Debt Traps | Morning Consult (Rep. Don Beyer)**

**Payday lender or loan shark: Is there really a difference? | Cleveland Plain Dealer (Eric Heisig)**
The term "loan shark" might bring to mind a scene in a movie where a gangster takes a crowbar to the kneecap of a down-on-his-luck gambler who can't make good on repayment of a loan. The term "payday lender" might bring to mind an image of a legitimate business, complete with a bright green sign, that offers loans at extremely high interest rates targeted at people with low incomes or who would otherwise not qualify for traditional financing. Are they the same? The answer: Sort of.

**Bravo to a legislator, and boo to a would-be judge | Orlando Sentinel (editorial)**
In his first legislative session earlier this year, this GOP representative from Winter Garden bucked leaders from both parties in opposing a bill that doubled borrowing limits and nearly doubled allowable fees on payday loans. While many Floridians use these loans — small-dollar, high-cost cash advances that they commit to repay out of their next paycheck — some wind up trapped in a cycle of repeated borrowing and mounting fees that leaves them deeper in the hole financially.

**In some states, a debate over payday lending unfolds in the black church | Washington Post**
The debate often pits clergy against one another. Payday proponents in the church say the industry provides an important service after years of national banks pulling back from offering loans in regions with large minority or poor populations and black-owned banks all but disappearing.

**Payday Loan Rule Compliance Date | National Law Review**
The four consumer advocacy groups are Public Citizen, Inc., **Americans for Financial Reform** Education Fund, Center for Responsible Lending, and National Consumer Law Center. They assert in their motion that because the stay was sought jointly by the parties to the lawsuit, "the Court lacks the benefit of adversarial briefing on the parties' request."

**House examines recommendations to alter CFPB | Financial Reg News**
The House Financial Institutions and Consumer Credit Subcommittee held a hearing this week to examine four recommendations made by the acting director of the Consumer Financial Protection Bureau (CFPB) to alter the bureau. In a semi-annual report to the president and Congress, CFPB Acting Director Mick Mulvaney recommended that Congress enact four changes: fund the bureau through Congressional appropriations; require legislative approval of

major bureau rules; ensure that the director answers to the president in the exercise of executive authority; and create an independent Inspector General for the CFPB.

**Trump's consumer financial chief disbands key advisory boards | Reuters**
The decision to dismantle the boards was communicated to members via an email and conference call on Wednesday, the members said. It drew sharp criticism from board members, who said the change would shut out those who are familiar with the problems faced by ordinary Americans.

**Mulvaney's rationale for firing advisory boards doesn't hold water | American Banker (Rob Blackwell)**
Anthony Welcher, a political appointee and the CFPB's policy advisor for external affairs, said the decision was made in part because the committees — the Consumer Advisory Board, Community Bank Advisory Council and the Credit Union Advisory Council — were too expensive to maintain...

But members immediately protested that no one previously had asked them to pay their own way, and many appeared willing to do so anyway. It's difficult to understand how the CFPB's costs for such outings could be so high, unless members were staying at the Ritz Carlton. Moreover, it was unclear why the agency couldn't find a cheaper way to hold such meetings. Maybe the CFPB should look into video-conferencing.

**The Government-by-Grift Mentality | Credit Slips (Adam Levitin)**
Mick Mulvaney's entirely classless and petty firing of the CFPB's Consumer Advisory Board (CAB) has been amply covered elsewhere. Having served on the CAB from 2012-2015, however, I've got to comment on the statement by Mulvaney's henchman that "The outspoken members of the Consumer Advisory Board seem more concerned about protecting their taxpayer funded junkets to Washington, D.C., and being wined and dined by the Bureau than protecting consumers."

Put aside that this statement is gratuitously offensive to a bunch of hard working folks who volunteer their time and expertise. The "junkets" I enjoyed from my CAB service involved flying coach with numerous connecting flights, staying at the Days Inn, being transported around in busses, attending full-day working meetings held in windowless rooms at community college campuses in small cities around the US, and then paying for my own dinner. But I sure made out with the free coffee, pastry, and box lunch.

**Why Did the Consumer Financial Protection Bureau Fire Us? | NY Times (Ann Baddour)**
When Mick Mulvaney and his leadership team took control of the bureau in November, we on the advisory board tried in good faith to engage with them. We have been sidelined every step of the way. The bureau canceled our scheduled meetings this year, despite requirements in the law for those meetings. We sent two letters to the bureau leadership to object, and received no meaningful response.

On Wednesday, when we were supposed to have our first meeting with Mr. Mulvaney, we were instead summoned for a 30-minute conference call with Anthony Welcher, policy associate director for external affairs. He told us that the bureau wanted new people without "preconceived notions" about the bureau.

When I asked him where we had fallen short, or how the leadership of the bureau could know, without ever meeting us, that we have preconceived notions, he had no answer. What I took from his comments is that the bureau is looking for people willing to rubber-stamp bureau officials' decisions, not for people who will give them independent and honest advice.

**CFPB Advisory Board Firing Debacle Exposes Insincere RFI Process | Medium.com (Christine Hines)**
In its announcement firing the board members, the bureau attempted to partly justify dismantling the boards by claiming the Request for Information on External Engagements, "informed (their) shift" to modify the advisory boards and councils. This particular RFI, which received 58 comments from the public, closed on May 29, 2018, just over a week before they officially fired the board members on a conference call. That's not much time for a staff to review and consider substantive public comments.

And what about the feedback received? Did the public comments call for firing all board members and major restructuring of the CAB and other advisory boards? No. The destruction of the current advisory boards was the direction that Mulvaney and his political team were headed.

**Mick Mulvaney launches discussion series after purging advisory board, signals shift toward secrecy | Topeka Capital-Journal (Sherman Smith)**
The gathering drew the attention of Allied Progress, which bills itself as a group that stands up to corporate special interests. While the meeting took place on the Washburn University campus, a truck circled the area with a billboard blasting Mulvaney and Schmidt as bad for consumers. A spokeswoman for the group said the van and its "HOLY SCHMIDT!" message will continue to parade through Topeka for another week.

During the meeting, one of the group's members asked Mulvaney — who opposed his bureau's creation and once referred to it as a "sick, sad joke" — about Thursday's dismissal of a 25-member advisory board. Mulvaney said he wasn't comfortable with how the number of advisers had grown during the administration of President Barack Obama. He said he prefers meetings like the one in Topeka, which he described as productive with tangible ideas.

**Mick Mulvaney Drops PHH Case, As Expected | American Banker**
Mulvaney wrote in a two-paragraph legal filing that the Mount Laurel, N.J., company did not violate the Real Estate Settlement Procedures Act, which bans kickbacks in exchange for referrals.

"PHH did not violate RESPA if it charged no more than the reasonable market value for the reinsurance it required the mortgage insurers to purchase, even if the reinsurance was a quid pro quo for referrals," Mulvaney wrote.

**CFPB reform roadblock: Too many commenting deadlines | American Banker**
Consumer advocates, meanwhile, argue that the accelerated commenting schedule seems designed to benefit bigger lobbying operations with the capacity to craft and articulate a position quickly.

"The RFI process is particularly disturbing because the rapid-fire issuance, broad scope and short timeline for responses gives a procedural advantage to industry, who has a tremendous amount of resources to devote to responding to them when compared to individual consumers and consumer advocacy organizations," said Linda Jun, senior policy counsel at **American for Financial Reform** and a former legal services attorney.

**Banks Don't Share Wells Fargo's 'Systemic' Account Problems, Regulator Says | Wall St. Journal**
A banking regulator's review has concluded there weren't "systemic issues" at other banks that were similar to the Wells Fargo phony-account scandal, though it found some instances of banks opening accounts without proof of customers' consent. The review by the Office of the Comptroller of the Currency, undertaken to determine if similar problems ran deep at other banks, lasted months and looked at more than 40 large banks with a significant retail footprint. The review hasn't been released publicly. But an OCC spokesman in a statement said it "identified some weaknesses in policies, procedures, and controls and in the risk governance framework addressing sales practices" at some banks.

**Public deserves to know results of OCC sales practices inquiry | American Banker (Kevin Wack)**
In Canada, a government agency recently published the results of its review of retail sales practices at the nation's six largest banks. It found that the industry's sharp focus on sales can increase the risk that consumers will pay for unsuitable financial products or services.

A similar reckoning is under way in Australia, where a government commission that was established in the wake of various scandals has been holding public hearings on consumer banking practices.

But here in the U.S., the regulatory review of banking sales abuses has happened behind closed doors.

## DERIVATIVES, COMMODITIES & THE CFTC

**Regulators Back Threshold for Swap-Dealer Registration at $8 Billion | Wall St. Journal**
The top U.S. derivatives regulator proposed a rule on Monday that would allow many financial, energy and agricultural companies to avoid registering as swap dealers, providing a reprieve to firms that use swaps to hedge risks. The Commodity Futures Trading Commission voted 2-1 for a proposal that would permanently set the threshold for swap-dealer registration at $8 billion in annual notional value. Previous CFTC regulations would have set a lower $3 billion threshold, which would have ensnared numerous companies that argue they are using swaps as a way to hedge risk and not for speculative purposes. The threshold change was delayed twice, once during the Obama administration and again under the agency's current Republican leadership.

**Cheap power drew bitcoin miners to this small city. Then came the backlash | PBS NewsHour**
Bucolic Plattsburgh, New York, 20 miles from the Canadian border. It sure doesn't look like ground zero for a gold rush.

But in this mall alone, cryptocurrency prospectors have installed thousands of mining machines, small computers that gobble energy just to find new cryptocoins in a vacated space behind the

Family Dollar store. And it’s all because Plattsburgh has bargain basement electric rates. The invasion has the locals up in arms.

**[Crypto companies 'running towards' regulation good for bitcoin, analyst says] | CNBC**

## INVESTOR PROTECTION, THE SEC, AND RETIREMENT SAVINGS

**[The 'Fiduciary Rule' May Sound Boring, But Its Collapse Threatens Your Retirement] | Bloomberg**
Among all the financial reforms launched during the Obama administration, the fiduciary rule may have been the most important to ordinary investors… Now the regulation is all but dead. In March a federal appeals court struck it down, and the Trump administration has not appealed the ruling. Where does that leave retirement investors? The outlook is anything but clear.

In April the Securities and Exchange Commission released its own plan for investor protection. In a proposed rule that runs hundreds of pages, the agency says it wants brokers “to act in the best interest of the retail customer” but adds, “We are not proposing to define ‘best interest’ at this time.” Instead, the agency lists “obligations” of brokers to ensure they don’t place their own interests before those of their clients and says financial companies must “establish, maintain and enforce policies” that are designed to spot and mitigate conflicts. “We don’t know what they mean by ‘best interest,’ ” says Barbara Roper, director of investor protection at the Consumer Federation of America. “And that is a problem they need to fix because this regulation, as drafted, depending on how it’s interpreted, could be anything from the status quo to a significant improvement in investor protection. And if it’s vague, it’s going to be difficult to enforce.”

**[Congress must act as investment fiduciary battle shifts to states] | The Hill (Thomas Aiello)**
Maryland, Massachusetts, New Jersey, and New York have introduced their own fiduciary standards for broker dealers, but to different degrees of severity. In New York for example, the government proposed a rule that could begin on March and give insurers only six months to comply. While the measures in Maryland, Massachusetts and New Jersey all died in session, they are likely to be resurrected in the new year with more momentum. Lawmakers from other states have also expressed a desire in duplicating the flawed rule. This could create an unnecessary and costly patchwork of regulations that isn’t good for consumers or advisors. A state-by-state regulatory environment would, according to the Securities Industry and Financial Markets Association, “subject financial professionals and firms to a confusing and potentially contradictory array of requirements and further muddy the waters for consumers trying to determine their relationship with their broker.”

**[The right regulation will protect American savers and investors] | The Hill (Frank Pare)**

**[Scott Garrett quietly scores SEC job amid hiring freeze] | Politico Pro**
The New Jersey Republican, who lost his reelection bid in 2016 in part because he had made anti-gay remarks, has been a full-time employee in the SEC's Office of the General Counsel since earlier this year, a personnel move that the agency never announced.

Garrett got the job — which was created for him — amid a halt in new hiring at the SEC. The agency said in its budget justification for fiscal 2019 that its overall staffing level is expected to drop to 4,528 positions by Sept. 30, 2018, and that it "permits few exceptions to the hiring freeze." The SEC had more than 4,600 full-time employees in fiscal 2017.

**Senate Banking staffer to be nominated for SEC | Politico Pro**
Senate Banking Committee aide Elad Roisman will be nominated to fill a looming Republican vacancy at the Securities and Exchange Commission, the White House said late Friday.

Roisman was widely expected to be picked to succeed Republican Commissioner Michael Piwowar, who is stepping down next month.

## MORTGAGES AND HOUSING

**Housing market: Prices are up, but homes selling fast | Attleboro Mass. Sun-Chronicle**
The housing bubble burst in the early 2000s precipitated a wider economic crisis that saw foreclosures skyrocket and some banks go broke. In Massachusetts alone, the number of foreclosure auctions peaked at 29,277 in 2010 compared to 7,605 in 2017, according to The Warren Group. And real estate values remained depressed for years.

Having experienced such a close call and facing an extended recession, Congress passed Dodd-Frank which placed stiff restrictions on the biggest banks along with the so-called Voelker Rule that banned banks from speculative trading in derivatives for profit.

From 2015-2017, the industry poured more than $2.7 billion into anti-regulation lobbying efforts, according to **Americans for Financial Reform**. “Wall Street wanted to see a return on its investment,” said AFR’s Carter Dougherty. “And they got it.”

## PRIVATE FUNDS

**Toys R Us employees deserve a severance from greedy Wall Street profiteers | New Jersey Star-Ledger (editorial)**
Investing money is not evil, and neither is using loans to finance an deal. One reason capitalism creates more wealth than other systems is that investors can move their money to where it is most productive. That's how Silicon Valley was built. It's the upside of Wall Street.

But capitalism needs guardrails to resist swerving into vulture capitalism.

Sen. Robert Menendez said his Senate Banking Committee will take this on, and there are some ideas from Americans For Financial Reform that are worth exploring. Just to name two: AFR suggests limiting the extent to which private equity firms can drain value from its target companies through fees, and to provide recourse (such as clawbacks) to the private equities by creditors when acquisition goes under.

## REGULATION IN GENERAL

**The Trump administration is paying off his supporters | Washington Post (Paul Waldman)**
You might think that Republicans would be outraged about this. We're talking about the federal government not just "picking winners and losers," something free-marketeers claim to abhor, but literally ordering utilities to buy a certain kind of fuel, which just happens to be the kind that creates the most pollution and in many cases costs more (don't worry about the inclusion of nuclear energy; this is really about coal). But Republicans are not outraged, because as former House speaker John Boehner said yesterday, "There is no Republican Party. There's a Trump party." And the rule in the Trump party is: Reward those who serve you, and punish those who don't. Any ideological considerations must take a back seat to that principle. Sometimes it means cutting regulations, and sometimes it means increasing regulations; it just depends on who the winners and losers are. Liberals may say mockingly that this proposed rule smacks of socialism, but it isn't guided by any kind of philosophy of governing. It's a payoff.

**Laying Down the Law on Rule Delays | Regulatory Review (Lisa Heinzerling)**
Since the Reagan Administration, it has become commonplace for new presidential administrations, in one of their first official acts after inauguration, to freeze at least some pending regulatory actions of the prior administration. These freezes have been of varying breadth and have taken varying forms. The Trump Administration's regulatory freeze was notable for its sweeping scope and blunderbuss execution. In the early months of President Donald J. Trump's presidency, agencies delayed many dozens of final rules issued in the Obama Administration, often with little explanation other than that a new President had been elected and he wanted the agencies to revisit existing regulations.

**Elizabeth Warren says there's a dirty little secret behind the Republicans' push for broad deregulation | Business Insider**
Senator Elizabeth Warren offered a scathing critique of Republican efforts to deregulate industries ranging from energy and finance to the environment and consumer safety under President Donald Trump. Warren, seen as a possible Democratic presidential candidate in 2020, said the argument that regulations restrict economic activity was just a front for corporations and their lobbyists who want to minimize restrictions on their activities, even when they harm the environment or consumers. "Deregulation is code for 'let the rich guys do whatever they want,'" Warren said in the keynote speech of an event at Georgetown University Law School, sponsored by the Coalition for Sensible Safeguards. "The Trump administration and an army of lobbyists are determined to rig the game in their favor, to boost their own profit, the cost of the consumer be damned."

See Public Citizen report, "The War on Regulation: A Guide to the Ongoing Assault on Public Protections to Boost Corporate Profits"

**Gag orders at federal agencies are violating whistleblower laws | Washington Post (Irvin McCullough & Zack Kopplin)**

## STUDENT LOANS AND FOR-PROFIT SCHOOLS

**Court Weighs Questions on Loan Forgiveness for Defrauded Students | Inside Higher Ed**
A handful of former Corinthian borrowers, represented by the Project on Predatory Lending at Harvard University, are suing the department over a plan, announced in December, to award partial relief of student loan debt to defrauded borrowers. Federal Magistrate Sallie Kim ruled last month that the system violated the Privacy Act by improperly using average earning data from Social Security records, and issued an injunction against collecting on those loan debts.

What remains at question, though, is whether a de facto policy previously existed at the department that dictates any misled borrowers who attended Corinthian institutions should get full debt relief. If such a policy did exist, it could aid the arguments of borrowers seeking full debt relief.

**A call to service without debt | The Hill (Carrie Wofford & Randi Weingarten)**
For decades, a program known as Public Service Loan Forgiveness has worked to ease that burden for Americans, while also promoting service to our nation. In exchange for 10 years of working in our military, public schools, civil service or nonprofit service organizations, qualified borrowers have the balance of their debt forgiven after 10 years of qualifying repayments. At its core, the program represents the most basic promise of higher education and of service to America, and those promises must be protected.

Unfortunately, some in the Republican majority in the House of Representatives have other ideas. They have proposed the disastrous Prosper Act, which slashes many of the programs designed to help people afford an education and promote national service, including Public Service Loan Forgiveness.

**We must increase our efforts to protect students from ‘predatory colleges’ | Hechinger Report (Aaron Ament)**

**Protect veterans from predatory colleges | LaGrange Daily News (John A. Tures)**

**Tester urges Trump Administration to rescind “harmful” changes to student loan office | Missoula Current**
Sen. Jon Tester this week criticized the Trump Administration’s decision to tuck the student branch of the Consumer Financial Protection Bureau into a separate office – a change some say will limit the agency’s ability to defend student loan borrowers from predatory lenders.

**State attorneys general take aim at the Trump administration’s student loan agenda | MarketWatch (Jillian Berman)**

**Despite Widespread Fraud, For-Profit Colleges Get Green Light From DeVos | NEA Today**
These investigations are more necessary than ever, as an analysis published this week by the Century Foundation, shows a staggering increase in fraud claims, filed by students, from 98,868 in August 2017 to at least 127,817 currently, a 27 percent increase. More than 98 percent of the complaints are about for-profit colleges, including some that are under investigation or already

shut down. The largest increase for any single school was for DeVry, which saw its "borrower defense claims" go from 1,195 in August to 7,393 currently.

Nonetheless, the for-profit industry has the support of many GOP lawmakers, whose PROSPER Act—the House GOP answer to the reauthorization of the Higher Education Act—would eliminate the same two protective Obama-era regulations. The bill also would repeal the 90-10 rule that allows for-profits to receive up to 90 percent of their revenues from federal taxpayers, typically in the form of student loans and Pell Grants. The 90 percent does not include military veterans' benefits, which is why many for-profits target veterans with their advertising. This is exactly the opposite of what should be happening, NEA leaders say.

See Century Foundation report, "College Fraud Claims Up 29 Percent Since August 2017"

**Why the AARP is Worried About Student Debt | Politico (Michael Stratford)**
A retirement organization may seem like an unlikely force for reform of student debt. But AARP's involvement underscores just how long a shadow student loans are increasingly casting over Americans' economic lives—a shadow that stretches all the way into their retirement. Remarkably, Americans over 60 years old are the fastest-growing category of student loan borrowers, having roughly quadrupled in number between 2005 and 2015, according to the Consumer Financial Protection Bureau. Although older borrowers still account for just a sliver of the more than $1.5 trillion in total outstanding student loan debt, they're more likely than younger borrowers to be behind on payments. Most are repaying debt they took out to help finance the education of their children or grandchildren, though some are still paying off their own tuition.

"We consider it a looming threat," said Lori Trawinski, director of banking and finance at the AARP Public Policy Institute. A central concern, she said, is how student debt—for themselves and their children—can delay key financial milestones like home ownership and chip away at retirement savings.

**New Study Finds Disparities Among College Graduates | Afro American**
The report, The Neglected College Race Gap: Racial Disparities Among College Completers, which was authored by the Center for American Progress, went beyond the usual examination of education disparities in graduation rates and college access rates. And, in focusing on college graduates, the report found what it called "serious inequities" in areas such as the type of degrees and quality of education.

See Center for American Progress report, "The Neglected College Race Gap: Racial Disparities Among College Completers"

## SYSTEMIC RISK

**Beware the 'mother of all credit bubbles' | Washington Post (Steven Pearlstein)**
This time… it's not households using cheap debt to take cash out of their overvalued homes. Rather, it is giant corporations using cheap debt — and a one-time tax windfall — to take cash from their balance sheets and send it to shareholders in the form of increased dividends and, in particular, stock buybacks...

Today's economic boom is driven not by any great burst of innovation or growth in productivity. Rather, it is driven by another round of financial engineering that converts equity into debt. It sacrifices future growth for present consumption. And it redistributes even more of the nation's wealth to corporate executives, wealthy investors and Wall Street financiers.

Corporate executives and directors are apparently bereft of ideas and the confidence to make long-term investments. Rather than using record profits, and record amounts of borrowed money, to invest in new plants and equipment, develop new products, improve service, lower prices or raise the wages and skills of their employees, they are "returning" that money to shareholders. Corporate America, in effect, has transformed itself into one giant leveraged buyout…

As a result of all this corporate borrowing, Daniel Arbess of Xerion Investments calculates that more than a third of the largest global companies now are highly leveraged — that is, they have at least $5 of debt for every $1 in earnings — which makes them vulnerable to any downturn in profits or increase in interest rates. And 1 in 5 companies have debt-service obligations that already exceed cash flow — "zombies," in the felicitous argot of Wall Street. "Flashing red" is how this buildup of corporate debt was characterized by the U.S. Treasury's Office of Financial Research in its latest annual report on the stability of the financial system. The International Monetary Fund recently issued a similar warning. What concerns these regulators is not simply the growth of the corporate debt market but also the change in its structure and how it will perform during a sell-off.

**Nix, Don't Fix, The Volcker Rule | Forbes (Norbert Michel)**
Last week, federal regulators released a proposal to soften the Volcker rule, based largely on the size of banks' trading operations. The proposal admirably tries to make lemonade out of lemons, while keeping the core idea of the Volcker rule in place...

Nonetheless, on cue, groups such as **Americans for Financial Reform** and Allied Progress rolled out their casino gambling analogies, equating banks' securities trading desks with gambling away taxpayer-backed deposits. Sen. Jeff Merkley, D–Ore., complained that the proposal is a "massive" rewrite that will "make it easier for Wall Street banks to engage in the same types of risky bets that brought down our economy in 2008."

These complaints make great soundbites, but the Volcker rule had nothing to do with the types of risky bets that caused the 2008 crash...

**Fix the Volcker Rule, but Look for Alternatives, Too | NY Times (Charles W. Calomiris)**