This Week in Wall Street Reform | Mar 24 – 30

Please share this weekly compilation with friends and colleagues.
To subscribe, email info@ourfinancialsecurity.org, with "This Week" in the subject line.

THE TRUMP ADMINISTRATION, CONGRESS AND WALL STREET

Frustration mounts as Dodd-Frank rollback stalls | The Hill
Banks and credit unions desperate for regulatory relief are ramping up pressure on House Republicans to quickly pass a bill easing Dodd-Frank banking rules. The Senate earlier this month cleared a bipartisan bill that would exempt dozens of lenders from stricter federal oversight, sending it to the House. The measure is a longtime goal of Republicans and the financial services industry. But Speaker Paul Ryan (R-Wis.) is keeping the bill off the House floor until senators agree to add on a slew of banking reforms that have passed the lower chamber.

Senators are resisting any changes to the bill, arguing their bill is the result of hard-fought negotiations and the best chance for sweeping bipartisan reform of Dodd-Frank. The deadlock has lobbyists for the banking industry and credit unions growing increasingly frustrated with the House. They plan to raise pressure during the two-week Easter recess for the House to take up the bill.

JP Morgan CEO: Banking Bill "Doesn't Really Have Anything To Do With Us" | The Intercept (David Dayen)
"The banking bill is only really affecting smaller banks, so it doesn't really have anything to do with us," [Jamie] Dimon said after an event organized by Axios at Howard University titled, "Smarter Faster Revolution." "I think if they get a little bit of relief, it's probably good for them and their ability to finance America," Dimon added.

Dimon's assertion calls into question why JPMorgan has spent resources to lobby for the bill and could shape the way that federal rule-makers interpret the statute and translate it into regulations.

All But One of Ohio's 11 GOP Representatives Voted for 17 out of 19 Anti-Consumer Bills Supported by Financial Industry Since Last Year | Cleveland Scene
Since last year, according to the sixth annual report by the group **Americans for Financial Reform**, the House Financial Services Committee has passed more than six dozen bills to loosen restrictions on the financial industry - with the support of virtually all Republicans and an occasional Democrat.

Polls show most voters support more regulation for Wall Street. Nonetheless, the deregulation bill will now go to the U.S. House, where hard-line conservatives have said it doesn't go far enough to lighten the load on banks.

Congress Consistently Votes with Wall Street, Against Consumers | Public News Service
[According to] **Americans for Financial Reform**, the House Financial Services Committee has passed more than six dozen bills to loosen restrictions on the financial industry – with the support of virtually all Republicans and an occasional Democrat.

Report coauthor James Lardner, a senior fellow at the group, cited one bill signed by President Donald Trump in October that allows companies to force consumers who allege fraud into arbitration - and keeps them from filing a class-action lawsuit. "The result is that, if you're cheated by your credit card company or your student lender, or what have you," Lardner said, “they're perfectly entitled to say you're not allowed to go to court, and you're not allowed to band together with other people who've been cheated in the same way."

See how Louisiana members of Congress rate with Americans for Financial Reform | New Orleans Times-Picayune
Formed after the 2008 economic crisis, **Americans for Financial Reform** [is] a nonpartisan and nonprofit coalition of more than 200 civil rights, consumer, labor, business, investor, faith-based and civic and community groups." As one might expect from that description, the Louisiana delegation fared poorly when the group released its 2017 congressional scorecard Tuesday…

See AFR’s 2017 voting record, “Where They Stand on Financial Reform.”

Arrival of Final Bank Regulator Could Speed Up Easing of Rules | Wall St. Journal
Banks can expect to see a surge in relief from post crisis rules in 2018 after the final Trump-appointed leader is seated at the nation's banking regulators later this spring.

Jelena McWilliams, the top lawyer at Cincinnati-based Fifth Third Bancorp, is set to succeed Obama-appointee Martin Gruenberg as head of the Federal Deposit Insurance Corp . as early as April. When that happens, the FDIC, the Federal Reserve and Office of the Comptroller of the Currency will be able to move ahead on a number of the Trump administration's policy priorities, such as adjusting capital and liquidity requirements, easing restrictions on short-term consumer loans and relaxing the 2010 Dodd-Frank financial law's proprietary trading ban, the Volcker rule.

CONSUMER FINANCE AND THE CFPB

Congress Considers Going Easy on Predatory Lenders | NY Times (editorial)
The payday lending industry is pressing its friends in Congress to repeal rules that shield borrowers from short-term loans that trap them in debt at interest rates of 400 percent or more..

As they press for federal legislation to overturn the rules, the lenders have been lobbying state legislatures to expand their right to issue payday loans for longer than 45 days, loans that would not be covered by the regulations. The industry spent lavishly in Florida to pass a law that will allow an annual rate of nearly 300 percent on a three-month loan of $1,000, according to an analysis by the Pew Charitable Trusts...

[I]f members of Congress repeal perfectly reasonable consumer-protection rules, voters should make them pay a price for picking the pockets of struggling Americans to line the pockets of the lenders.

NPR's Planet Money charts Mick Mulvaney's disassembly of payday lending regulations | Charleston City Paper
Mulvaney has dialed back aggressive regulatory actions taken by the CFPB that was created in the wake of the Great Recession. Among those is ending a long-running legal battle to punish predatory companies that rope Americans living paycheck-to-paycheck into sky-high interest rates on loans to help them get by until payday.

This week, NPR's Planet Money takes a look at Mulvaney's stellar work to "dismantle a federal agency from the inside."

See Stop the Debt Trap statement.

Emergency Credit: Coming Soon to a Bank Near You? | Wall St. Journal
“We have a big market, we have a market that is unfulfilled,” said Comptroller of the Currency Joseph Otting in an interview. “When you don’t have an alternative in that space, what happens is people have a tendency to fall to the lowest common denominator,” such as check-cashers, pawnshops and liquor stores, he said.

The move signals a shift from the Obama administration, which earlier this decade pressured banks to scrap their short-term lending programs. Those regulators viewed small loans by banks with suspicion because of concern about high interest rates and perceived repayment risks.

New Jersey picks NYC official Rodriguez to lead state’s answer to Mulvaney’s CFPB | Housing Wire

CFPB Issues Mortgage Servicing FAQs on Eve of Compliance Deadline | JD Supra

CFPB Deferment of Enforcement Authority to States Will Lead to Increased Scrutiny | Inside ARM
According to Acting Director Mulvaney, “States know best how to protect their own consumers”. This approach marks a stark contrast from the previous regime at the CFPB. Historically, under the CFPB’s previous director, Richard Cordray, states often took a back seat to the CFPB on enforcement actions. This aggressive enforcement policy was often criticized as many believed this authority was used solely to set new industry standards independent of the rulemaking process. Mulvaney is determined to change the narrative. However, such a shift in the CFPB’s enforcement philosophy should not be interpreted as a loosening of the proverbial “oversight belt”. Rather, the “oversight belt” is still tight and will continue to get tighter; as now, it is being worn by a new, more politically charged and unpredictable source: states and cities.

Senate Democrats warn Mick Mulvaney against repealing payday loan rule | Washington Examiner
The vast majority of Senate Democrats are worried that acting Consumer Financial Protection Bureau director Mick Mulvaney is going to kill major new federal regulations on payday loans. Forty-three Democrats wrote to Mulvaney Tuesday not to undo the agency's payday loan rules, which he announced in January would be reconsidered.

“The CFPB’s role in serving as a watchdog for American consumers while making our financial markets safe, fair, and transparent continues to be of critical importance," the Democrats wrote.

"To this end, we urge you to end any efforts to undermine and repeal this critical consumer protection."

[‘Lenny the Loan Shark’ Leads Opposition to Payday Rule Repeal](#) | Roll Call
The sidewalk outside the CFPB’s downtown headquarters was the venue for a Thursday press conference featuring a man in a shark suit, who identified himself as Lenny the Loan Shark. Lenny sarcastically thanked CFPB Acting Director Mulvaney for dropping enforcement actions and lawsuits against payday lenders, as well as Graham for introducing a resolution last week that would repeal the payday rule published last October…

“I want to thank our crony and Trump apparatchik Mick Mulvaney, who’s been controversially appointed acting head of the CFPB, for really helping us turn the CFPB upside down,” said Lenny, whose performance was the work of progressive groups, including **Americans for Financial Reform** and the Center for American Progress. The protests also touched on other Mulvaney actions related to payday lenders.

Protest against predatory lending held in Portsmouth | WAVY TV
Protesters gathered outside the ACE Cash express on Portsmouth Boulevard to show their displeasure with Senator Mark Warner's support of the "Madden Bill," which has passed in the U.S. House of Representatives. They say the bill would make it easier for payday lenders and other non-banks to avoid state interest rate caps.

Group rallies against high-interest lending practices in Kenosha, state | Kenosha (WI) News
“Payday lenders target low-income borrowers already in financial distress, drawing them into a spiral of growing debt,” said Emma Fisher, WISPIRG event organizer. Citing statistics from the Wisconsin Department of Financial Institutions, she noted skyrocketing interest rates often hit 500 percent.

The rally called attention to a recent blow dealt to the government agency that had been working to change those dynamics.

CFPB Loses Motion For Reconsideration In Borders Case: Its Next Steps May Provide Insight Into The Mulvaney Enforcement Strategy | National Law Review

DOJ Sues Auto Lender For Illegal Vehicle Repossession | Law360
The U.S. Department of Justice filed a lawsuit in California federal court Wednesday alleging a subprime auto lender broke federal law by repossessing the motor vehicle of an active military servicewoman on her first day of training.

Orange, California-based indirect auto lending company California Auto Finance is accused of violating the Servicemembers Civil Relief Act after repossessing Andrea Starks’ used 2006 Chevrolet HHR without a court order, even after she’d supplied them with military orders about her relocation for active duty.

How to prevent the next great Equifax heist | The Hill (Munish Walther-Puri)

By letting the Equifax breach go unexamined, the Consumer Federal Protection Bureau (CFPB) is permitting a world more vulnerable to fraud, insecurity, consumer inaction, and third-party risk — a menacing combination. Your personal data is highly valued — not just by you, but also by cyber criminals. There is a thriving economy for stolen and leaked data. For precisely this reason, the Equifax exposure differs in scale, size, and scope than previous breaches.

Regulatory contracts needed to hold consumer bureau accountable | The Hill (J.W. Verret)

ENFORCEMENT

Libor-Rigging Judge's Musings Raise Doubt About US Prosecution | Bloomberg
U.S. prosecutors in New York say former traders Gavin Black and Matthew Connolly provided false Libor submissions to try to rig the benchmark rate underlying trillions of dollars of loans and other financial products. The pair is accused of conspiracy and fraud.

In an unusual filing entitled "Thoughts on the Proof Necessary for Government to Establish Wire Fraud as Charged in This Case," U.S. District Judge Colleen McMahon on Thursday weighed in with what she called "observations." Over 21 pages, she said the behavior alleged in the indictment "is nothing less than reprehensible. But this court does not sit to punish reprehensible behavior; it sits to punish behavior that violates some criminal law."

Barclays to pay $2 billion over toxic pre-crisis mortgages | CNN
Barclays agreed Thursday to pay the United States $2 billion for allegedly deceiving investors about the quality of mortgage deals that fueled the 2008 financial crisis.

The Justice Department said the British bank "caused billions in losses" to investors by engaging in a "fraudulent scheme" involving three dozen mortgage-backed securities deals sold between 2005 and 2007.

EXECUTIVE COMPENSATION

Does Verizon Really Pay the Typical Worker 60% More Than AT&T | Wall St. Journal
Representatives for AT&T and Verizon generally declined to discuss what could account for the disparity in their median pay figures. An AT&T spokeswoman said differences in how the companies identified their median workers could have contributed. A Verizon spokesman noted that it included company-paid health care benefits in identifying its median employee.

SEC should investigate pay ratio discrepancies, liberal advocate says | PoliticoPro
Newly disclosed pay figures… show Verizon paid its median employee nearly $127,000 last year while AT&T's median worker made about $78,000.

Does Verizon really pay rank-and-file employees about 60% more than its closest rival?

The gap illustrates fundamental differences in the way the rivals operate that filter down to how workers are paid. But it also highlights some of the limitations of a new requirement from the Securities and Exchange Commission that U.S. publicly traded companies disclose what they pay their median workers.

FEDERAL RESERVE

For Wall Street, New York Fed's New Chief Could Be a Lot Like the Old Chief | Wall St. Journal
The front-runner for president of the Federal Reserve Bank of New York has a regulatory record similar to its current leader, suggesting his appointment would bring continuity in the regulator's relationship to Wall Street.

A Top Candidate for New York Fed's Leader: San Francisco's | NY Times
John C. Williams, an economist and longtime Federal Reserve official, is a top candidate for president of the Federal Reserve Bank of New York… If he is appointed, Mr. Williams would succeed William Dudley, who announced in November that he planned to retire this summer after nine years in the job.

Fed chair Jay Powell faces his first political test | Financial Times
The likely elevation of San Francisco Fed president John Williams to be president of the New York Fed has been criticised by progressives who want to see greater diversity in the central bank's senior echelons. Democratic senators Elizabeth Warren of Massachusetts and Kirsten Gillibrand of New York have raised questions about the process.

"There is a feeling that there is something deeply wrong about their process," said Marcus Stanley of **Americans for Financial Reform**, a group that wants tougher Wall Street Regulation. He called the appointment "tone deaf."

INVESTOR PROTECTION, THE SEC, AND RETIREMENT SAVINGS

SEC Charges Wedbush in 'Pump-and-Dump' Scheme | Wall St. Journal
The Securities and Exchange Commission on Tuesday said broker-dealer Wedbush Securities Inc. failed to properly supervise an employee who was allegedly involved in a long-running "pump-and-dump" scheme aimed at retail investors. The regulator alleged that Wedbush ignored numerous red flags raised against the conduct of employee Timary Delorme, including a customer email tip. Wedbush also conducted "two flawed and insufficient investigations" into Ms. Delorme, according to the SEC.

Key lawmaker sees disclosure as most important part of investment-advice standard | Investment News
Rep. Bill Huizenga, R-Mich., acknowledges that clients are sometimes harmed by their financial advisers, but he doubts that conflicted advice is rampant.

Mr. Huizenga's opinion about investment advice is an important one on Capitol Hill because he chairs the House Financial Services Subcommittee on Capital Markets, Securities and Investments. The House panel has jurisdiction over the Securities and Exchange Commission and legislation affecting retail investment advisers and brokers.

Fifth Circuit Vacates Fiduciary Rule | DrinkerBiddle
The court majority opinion includes two key rulings: that the DOL did not have the authority to adopt the new fiduciary advice definition ("the Fiduciary Rule…is inconsistent with the entirety of

ERISA's 'fiduciary' definition"); and, in adopting the Fiduciary Rule, it acted arbitrarily and capriciously ("the Rule fails to pass the tests of reasonableness or the [Administrative Procedures Act]"). Based on these rulings, the court decided to "VACATE the Fiduciary Rule in toto." [Emphasis in the original.] In other words, the court struck down both the new fiduciary advice definition and the package of exemptions that came with it.

The Real Cost(s) of Suitability | Inside Information
What often seems to be lost in the debate over 'suitability' and 'fiduciary' is that agents and brokers operating under a 'suitability' standard have a direct financial motivation to act against the best interests of their clients.

"There is a major problem for the consumer of financial advice when the life insurance ads during March Madness has, as its call for action: "talk to one of our advisors," says Chris Cooper, who practices in San Diego. "If the SEC can do nothing more than regulate the titles of those who are fiduciaries from those who are not, then there would not be as much a need for fiduciary standards being imposed on the financial services industry. Perhaps," he adds, "we can make the title of 'advisor,' mean something again."

MORTGAGES AND HOUSING

Senate Banking Deregulation Bill Would Hide Impact of Mortgage Lending Disparities | CFA blog (Barry Zigas)
HMDA data remains the primary tool that regulators, lenders and consumers can use to understand income and racial patterns in mortgage lending. While the provision in S. 2155 may seem reasonable by exempting only institutions with fewer than 500 loans from only the new data reporting requirements, in the aggregate this provision would hide significant amounts of lending and impair efforts to understand the full picture of mortgage lending.

Bad to worse: Now Facebook is being sued over housing discrimination | Fast Company
The National Fair Housing Alliance, along with three other nonprofit housing advocacy organizations around the country, has filed a lawsuit against Facebook over its alleged discriminatory advertisements. The nonprofits, over the last few months, created a fake real estate company and used the Facebook ad platform to place housing ads. According to the lawsuit, the NFHA was able to place advertisements that "[excluded] families with children and women from receiving advertisements, as well as users with interests based on disability and national origin."

PRIVATE FUNDS

A new leader emerges at Blackstone | Pitch Book (Kevin Dowd)
The private equity titan has announced the promotion of Jon Gray to president and COO, taking over day-to-day operations of the firm from Tony James, who's held the title of president since 2006 and of COO since joining the firm in 2002. Gray, 48, was formerly Blackstone's global head of real estate. He's worked his whole career at Blackstone, joining the firm straight out of college in 1992 and taking over its real estate operations in 2005. In the dozen years since, he's developed a business that now has $115 billion in AUM.

James will maintain a full-time role at the firm, becoming executive vice chairman. He and Gray will both still report to Stephen Schwarzman, the firm's co-founder, chairman and CEO.

REGULATION IN GENERAL

The Guidance Racket | The Regulatory Review (Rena Steinzor)
The spirited conservative attack on regulatory guidance is both puzzling and hypocritical. Admittedly, agencies sometimes issue guidance to avoid the quicksand of informal rulemaking. But the law makes clear that without full-dress procedure, guidance can never replace rules and statutes in enforcement actions. Remedying agency overreach in the rare circumstances when enforcement cases are based primarily on guidance is a straightforward legal matter—defendants have only to tell their problems to a judge. Given the acute problems of hollow government and browbeaten civil servants these days, an irate defendant likely need only threaten to sue to compel an agency's general counsel to back down. The attack on guidance, like many other aspects of the latest chapter in the ongoing war on regulation, is also hypocritical. A huge swath of regulation was designed and is implemented to protect one kind of business activity from incursion by another. In the same vein, by far, regulated firms that are staunch allies of the deregulators are the largest group benefitting from guidance. Were we able to convene a conference of the leading regulatory counsel and lobbyists for businesses, administer a dose of truth serum, and ask who had requested guidance on behalf of a client during their careers, I doubt more than a handful of people would say they had not.

Trump is losing his war on regulations | Washington Post (Lisa Heinzerling)
Federal courts have rejected the administration's attempt to delay or suspend existing rules on such diverse matters as lead paint, energy efficiency and methane emissions from oil and gas facilities. Other pending cases may suffer similar fates. The courts have found elementary legal mistakes in the Trump administration's approach to agency decisions. Specifically, they have concluded that the administration has misread legal provisions, ignored factual evidence and bypassed required processes. And the courts have done so without breaking a judicial sweat. It is not clear yet that the administration has the temperament to undertake this patient work. If it does not, it has more losses to come in the courts.

STUDENT LOANS AND FOR-PROFIT COLLEGE

How to Avoid Common Student Loan Complaints | US News
Since student loans have complicated terminology and strict regulations, it can be difficult for borrowers to tell whether their servicer is a bad actor. Sometimes servicers fail to follow regulations, and other times borrowers don't communicate their needs correctly.

While it's good to know how to file a student loan complaint and when to speak up for your rights as a borrower, it's better to know how to avoid situations that lead to complaints in the first place. Here are the most common student loan complaints along with advice on how borrowers can avoid these issues.

See new AFR report, "Private Equity's Failing Grade in the For-Profit College Industry"

SYSTEMIC RISK

Hoenig: Living will process signals that big banks are still too big to fail | Politico
FDIC Vice Chairman Tom Hoenig on Wednesday said the process established by the 2010 Dodd-Frank Act to wind down failing megabanks has an inadvertent side effect: furthering the expectation of taxpayer bailouts. In a speech at the Peterson Institute for International Economics, Hoenig said the "living will" process, under which banks plan out how to break themselves up if they become insolvent, "may be having the unintended result" of signaling to markets that the government would rescue the biggest banks during a crisis.

TAXES

The richest Americans get a $33,000 tax break under the GOP tax law. The poorest get $40. | Washington Post
The Republican tax law passed last fall will give the richest 1 percent of Americans an average personal income tax break of about $33,000, while the poorest Americans will receive an average personal income tax break of $40, according to a new study published this week by nonpartisan analysts.

The biggest winners are the richest 1 percent of Americans, or those earning more than $732,800 every year. The smallest bump goes to the poorest income bracket, defined as earning less than $25,000 annually.

Mulvaney nears victory in struggle with Mnuchin on tax rules | Politico
The White House is poised to give its budget office greater control over some of the Treasury Department's regulations, handing budget director Mick Mulvaney a victory in a months-long power struggle with Treasury Secretary Steven Mnuchin, according to three sources familiar with the discussions.

The move, which could come in the next few weeks, would end the autonomy the Treasury Department has enjoyed since the 1980s when it comes to issuing tax rules, while giving greater power to one of Trump's favorite Cabinet members at the expense of another.

OTHER TOPICS

Inconvenient Information: How the Trump Administration Squelches Data It Doesn't Like | Public Citizen
The Trump administration has declined to collect important information, deleted publications that contradict its policy goals, silenced the views of scientists, removed information from federal websites, politicized the scientific grant-making process, prohibited experts from using common words, kept White House visitor logs secret and actively misled the public in official reports.

These are not random suppressions of data and evidence, simply a byproduct of carelessness. The Trump administration-wide information suppression is a considered and concerted effort to serve corporate and extremist ideological interests.