This Week in Wall Street Reform | Mar 31 – Apr 6

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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.

JPMorgan's Dimon Praises Trump's Deregulatory Efforts in Annual Letter | Wall St. Journal

Dear Congress: We can't wait on reg relief | American Banker (Jim Nussle)
A recent Wall Street Journal editorial said the House "deserves to shape the final product," a move that would likely stall efforts to pass the bill. This bill won't satisfy everyone — and it shouldn't. It is targeted reform to Dodd-Frank's ill-fated provisions that lumped small lenders in with Wall Street megabanks. And, importantly, it passed the Senate with strong bipartisan support, which we all know can be a rare feat in today's political climate. Any changes are likely to derail the bipartisan agreement and bring Congress back to square one. That's concerning given that it's taken nearly a decade for Congress to act on Dodd-Frank, first with the House's Financial Choice Act in 2017 and with the Senate's bipartisan package this year.

Trump: Dodd-Frank rollback 'should be done fairly quickly' | The Hill

CONSUMER FINANCE AND THE CFPB

Trump-appointed head of consumer watchdog asks Congress to hamstring his agency | Washington Post
On Monday, Mulvaney accelerated the Trump administration's efforts to rein in the bureau, proposing that major CFPB rules should receive congressional approval and that the bureau's budget should be set by lawmakers rather than allocations from the Federal Reserve.

Mick Mulvaney, Consumer Bureau's Chief, Urges Congress to Cripple Agency | NY Times
In his first report to Congress as the acting director of the Consumer Financial Protection Bureau, Mick Mulvaney called on lawmakers on Monday to cripple the agency that he has been temporarily tasked with overseeing.

Mr. Mulvaney, a longtime and unapologetic critic of the financial crisis-era bureau, has spent the last several months freezing its enforcement activities, dropping cases on payday lenders and shutting out career staff from major decisions. He has called for the bureau to be more "humble" and less aggressive in its efforts to protect consumers and to consider the impact on businesses when making decisions.

CFPB director asks Congress to reduce the agency's power | ConsumerAffairs
"Mick Mulvaney is using his temporary status to push a radical agenda to destroy the consumer bureau precisely because it has the independence to stand up to powerful financial interests, and to do its job protecting the public," said José Alcoff, Payday Campaign Manager at **Americans for Financial Reform**. "Mulvaney wants the CFPB to be a lapdog, not a watchdog."

Consumer Bureau faces extinction | Scranton Times-Tribune (editorial)
Having rolled back elements of the Dodd-Frank law that had curbed the worst anti-consumer practices of the finance industry, the Trump administration has turned its attention to eviscerating consumer protection. Monday, acting Director Mick Mulvaney asked Congress to eviscerate his department, the Consumer Financial Protection Bureau.

The agency is the only one dedicated to protecting consumers, and its pre-Mulvaney performance proved that it is very much needed. Congress should reject the effort to eviscerate the CFPB, in the event that a future administration once again wishes to serve consumer interests.

Mulvaney Calls for Key Changes to CFPB in Semi-Annual Report | Insider Car News

Consumer advocates launch campaign against 'predatory' payday lending | Watchdog.org
Lawmakers and consumer advocates have launched a "Stop The Debt Trap" campaign nationwide that targets payday lenders and a reduction of payday loan restrictions and enforcement in Washington D.C.

Americans for Financial Reform argue that Mulvaney has made decisions that have harmed consumers and helped payday lenders. AFR points to the CFPB dropping a case against Golden Valley Lending and three other payday lending companies that charge interest rates up to 950 percent. According to a Reuters report, Mulvaney is expected to drop three other cases against payday lenders that had been previously approved for litigation.

Under Mulvaney, they should just call it the Financial Services Protection Bureau | Washington Post (Michelle Singletary)
"The best that any Bureau Director can do on his own is to fulfill his responsibilities with humility and prudence, and to temper his decisions with the knowledge that the power he wields could all too easily be used to harm consumers, destroy businesses, or arbitrarily remake American financial markets."

Put another way, Mulvaney wants to overrule the bureau's intended mission — to be a fierce consumer advocate — and instead create a lapdog agency that will play nice with the very financial institutions that pushed us into the Great Recession.

See AFR statement: **"In Message to Congress, Mulvaney Betrays Mandate to Protect Consumers"**

Mick Mulvaney Doles Out Fat Raises to New CFPB Staffers Amid Push to Cut Costs | Huffington Post
Mick Mulvaney, acting director of the Consumer Financial Protection Bureau, oversaw the hiring of two senior aides with salaries topping $230,000 — a major boost from their previous government jobs — as he criticized the agency for overspending, The New York Times reported.

Disclosure of the fat paychecks comes after President Donald Trump and Republican lawmakers have repeatedly advocated reshaping the agency, arguing it has imposed too many regulations on the financial industry, and have tried to cut the amount it pays employees. The latest White House budget proposal recommended a $150 million funding cut.

Mulvaney gives big pay raises to his hires at Consumer Financial Protection Bureau | LA Times
Mick Mulvaney, President Donald Trump's appointee to oversee the Consumer Financial Protection Bureau, has given big pay raises to the deputies he has hired to help him run the bureau, according to salary records.

In his Jan. 17 letter to the Fed, Mulvaney said he was asking for zero dollars because of the need to be "responsible stewards of taxpayer dollars." But that tight-fisted approach apparently was not used with his staff's salaries.

Consumer Bureau's Chief Gives Big Raises, Even as He Criticizes Spending | NY Times
Mick Mulvaney, the acting director of the Consumer Financial Protection Bureau, has complained that the regulator engages in "wasteful spending" and needs to be slimmed down. To underscore the point, he submitted a quarterly budget request recently that was a nice round number: $0.

That attitude, though, apparently didn't apply to two of his recent hires.

Mr. Mulvaney appointed two senior staff members who are paid salaries of more than $230,000, amounts that are far above what they had been earning in their previous government jobs in Washington, according to agency documents obtained by The New York Times through a public records request.

Mulvaney gave pay raises to political appointees at consumer protection agency | The Hill

Consumer Protection Bureau Head Mulvaney Gave His Political Appointees Big Raises Because It's Only "Waste" if Someone Else Is Spending It | Slate

Mick Mulvaney's agency suffers while his recruits get massive pay raises | ThinkProgress

Mulvaney fires back after Warren questions CFPB leadership | The Hill

Mulvaney Uses CFPB Structure As Excuse To Not Answer Congress' Questions | PYMNTS
Consumer Financial Protection Bureau acting director Mick Mulvaney is using the agency's structure as an excuse to refuse to answer questions about his leadership.

Mulvaney thwarts Warren inquiry, citing CFPB structure | American Banker
Consumer Financial Protection Bureau acting Director Mick Mulvaney said Thursday that the agency's fundamental structure prevents him from fully responding to accusations regarding his stewardship of the bureau, and only structural reforms would compel him to be more accountable.

States Target Consumer Issues as Federal Oversight Eases | Wall St. Journal

Alaska's economy loses millions to predatory lenders | Juneau Empire (Gorune Dudukgian)
[S]some in Congress have taken the side of predatory lenders charging 400 percent interest instead of their constituents stuck in unaffordable loans. Lawmakers in the House (H.J. Res.122) and Senate (S.J. Res. 56) have introduced resolutions to kill the Consumer Bureau's payday rule under the fast-track Congressional Review Act. For example, U.S. Sen. Lindsey Graham of South Carolina introduced the Senate resolution after payday lenders gave him more than $35,000 in contributions.

There is cause for hope that Alaska's congressional delegation will reject this effort to strip Alaskans of basic consumer protections from predatory lending. According to the Center for

Responsive Politics, neither U.S. Sen. Lisa Murkowski, R-Alaska, U.S. Sen. Dan Sullivan, R-Alaska, nor U.S. Rep. Don Young, R-Alaska, took contributions from the payday lending industry during their most recent election cycles and none have signed on as co-sponsors of the resolutions to repeal the Consumer Bureau's rule.

Remove roadblocks to real, lasting payday-loan reform | The Vindicator (editorial)
When it comes to responding to responsible and repeated calls for reform in the predatory payday-lending industry, it looks as if most of our state and federal legislators have rolled over and played dead.

Such lethargy on the part of our representatives in Columbus and Washington elected to serve the will of the people is shameful. And the will of the people of Ohio resonated loudly and clearly 10 years ago when a consumer-lending backed effort to repeal a 2008 law that restricted payday-loan interest rates to 28 percent failed miserably at the polls.

Today, the industry continues its assault on those who challenge its ill-earned profits, taking aim at House Bill 123. In its original format, it would have closed the 2008 loophole and capped interest rates at 28 percent. After languishing in committee for more than a year now, sponsors have revised the bill to make it easier for lenders to evade its otherwise get-tough provisions.

Background on Predatory Banking & Payday Lending | United States Conference of Catholic Bishops
Taking advantage of the financial distress of vulnerable people and communities has a long history. Unscrupulous and exploitative banking has existed from the usury condemned in the Bible to the redlining of minority and poor neighborhoods the '60s and '70s. Today, payday lending is only the most recent example of this long and reprehensible tradition.

To combat predatory banking practices, the Catholic Campaign for Human Development, as the domestic antipoverty program of the Catholic Bishops of the United States, funds organizations throughout the country that develop alternative sources of credit for low-income working people and families.

Strike Two for CFPB in Borders Case | National Law Review
A federal district court in Kentucky recently handed the CFPB its second defeat in the agency's lawsuit against Borders & Borders PLC and the law firm's principals by denying the CFPB's motion for reconsideration. Significantly, the court based its decision on grounds that are completely different than the basis for its original decision to grant the defendants' motion for summary judgment.

In surprise move, CFPB appeals judgment against CashCall slashed by judge | LA Times
The CFPB filed documents saying it plans to ask the U.S. 9th Circuit Court of Appeals to reconsider a recent decision in which a federal judge ordered CashCall to pay a fine of $10.3 million for issuing loans with illegally high interest rates. That judgment, handed down in January, was seen as a win for CashCall and as something of a rebuke to the CFPB, which had asked for penalties and restitution of $287 million.

Though the bureau's argument to the appellate court has not been filed, the documents indicate it plans to appeal parts of the ruling that went against the CFPB's position, implying it could be seeking stiffer penalties against the company and its owner, J. Paul Reddam.

CFPB seeks comment on consumer financial education programs | National Law Review
The CFPB has issued a request for information that seeks comment on its consumer financial education programs. Comments on the RFI must be received on or before 90 days after the date the RFI is published in the Federal Register, which the CFPB expects to occur on approximately April 9, 2018.

CFPB requests public input on financial education programs | American Banker
In a request for information issued Wednesday, the CFPB said it is looking for feedback on ways the agency can improve or change its education programs, including what topics to address in such programs and how to utilize government contractors.

The CFPB also is looking at whether it should eliminate certain financial education programs or at least minimize duplication with work performed by other federal, state, and local agencies.

Keep Debt In Check With These Seven Credit Card Management Strategies | Forbes
Credit cards can be a great financial tool to help you meet larger expenses when you don't have the liquid cash flow to cover them. They can also reward you for your purchases, offering redemption points, airline miles and even cash back every time you buy something.

But, as many Americans learn the hard way, it's very easy to mismanage your credit cards and wind up owing much more than you can reasonably pay. According to a recent study by the Consumer Financial Protection Bureau (CFPB), the average American holds a credit card balance of more than $4,800 -- and high balances plus heavy interest rates equals a recipe for financial disaster.

Credit bureaus aren’t going anywhere. For now. | American Banker
Some speculate that the banks that do business with credit reporting agencies may be looking for alternatives. “I would be astonished if the big banks are not giving it serious consideration,” said Richard Parry, principal of Richard Parry Advisors and a former risk management executive at Chase, Citi and Visa. “As a consumer, I’d be disappointed if they’re not.”

But shaking off the credit bureaus would not be easy — they have a firm hold in financial services.

CFPB Credit Reporting Complaints Almost Doubled in 2017 | Morning Consult
Complaints to the Consumer Financial Protection Bureau about the conduct of credit reporting agencies almost doubled in 2017 compared to the previous year — in part because of last year’s massive data breach at Equifax Inc., according to a new CFPB report published Monday.

Keep credit scores independent and reliable for the mortgage market | HousingWire
When banks are on the hook, they choose to rely on the FICO Score because it’s independent and reliable. So when taxpayers are on the hook, why consider the adoption of a lower standard?

The FHFA's current review process has allowed for the careful and transparent consideration of all of these concerns, including input from consumer advocates and industry participants. But as the **Americans for Financial Reform** recently noted, the Senate legislation "will delay and up-end that process by requiring them to start again from scratch."

DERIVATIVES, COMMODITIES AND THE CFTC

The era of overnight bitcoin millionaires is fading fast, a 'seismic shift' says analyst | MarketWatch
The days of overnight bitcoin millionaires are coming to a close. As the price of the No. 1 digital currency continues to fall — declining more than 40% in the first quarter — the crypto hall of fame is fast becoming a hall of shame.

ENFORCEMENT

CenturyLink fights billing-fraud lawsuit by claiming that it has no customers | Ars Technica
CenturyLink is trying to force customers into arbitration in order to avoid a class-action lawsuit from subscribers who say they've been charged for services they didn't order. To do so, CenturyLink has come up with a surprising argument—the company says it doesn't have any customers.

CenturyLink also filed a motion to halt discovery in the case until after the arbitration question is decided by the court. CenturyLink wants to "stop the case and let us bring in these entities no one's ever heard of," plaintiffs' attorney Benjamin Meiselas told Ars today. Meiselas said it is "a fiction" that CenturyLink is merely a collection of subsidiaries "that consumers don't even know exist."

EXECUTIVE COMPENSATION

If regulators can't fix bank culture, who can? | American Banker
Regulators' clearest opportunity to address bank culture in the Dodd-Frank Act was a provision requiring regulators to ban incentive-based compensation plans that could trigger risky behavior, yet financial regulatory agencies have failed to agree on a rule implementing the measure.

"It's just an example of how reforms that the regulators themselves, the supervisors themselves admit are needed, just were strangled and delayed in back rooms and torpedoed by big bank interests," said Marcus Stanley, policy director for **Americans for Financial Reform.**

INVESTOR PROTECTION, THE SEC, AND RETIREMENT SAVINGS

DOL Fiduciary Rule Vacated. Now What? | ThinkAdvisor (Melanie Waddell)
Labor, Reish said, "needs to decide whether to request an en banc review by the full 5th Circuit, to file a petition with the Supreme Court, or to drop the matter." There is a "delay in the [5th Circuit] decision to allow time for that." Reish believes that Labor will request an en banc review, which means a rehearing to reconsider the decision by the full court of appeals judges.

“Regardless of what the 5th Circuit does, the losing party will most likely request the Supreme Court to take the case,” Reish opined. “It could be more than a year before we know whether the rule is effective, as is, or whether the old rule is restored.”
As a result, Reish warned, “there is risk in not complying with the provisions of the new rule before this is finalized.”

Fight continues over fiduciary rule | Colorado Springs Gazette (Jim Flynn)

PNC, other investment firms settle SEC fee charges | PoliticoPro
Three investment advisory firms have agreed to pay the SEC $12 million for allegedly selling high-cost mutual funds, the agency said today. PNC Investments, Securities America Advisors and Geneos Wealth Management failed to disclose conflicts of interest and violated their fiduciary duty to clients who were sold higher-cost mutual funds when lower-cost shares of the same funds were available, the SEC said.

PNC and Geneos failed to disclose the conflict of interest associated with compensation they received from third parties for investing clients in particular mutual funds, the SEC said, adding that PNC improperly charged advisory fees to client accounts for periods when there was no assigned investment advisory representative.

PNC, a subsidiary of Pittsburgh-based PNC Financial, agreed to pay $6 million plus a $900,000 penalty to settle the SEC's charges.

MORTGAGES AND HOUSING

Treasury calls for expanding products, borrowers that qualify under CRA | Politico Pro

The Treasury Department on Tuesday urged bank regulators to expand the universe of borrowers and products for which lenders can claim credit under the Community Reinvestment Act, in a bid to improve implementation of the decades-old law.

In a new report, the department stays away from highly specific recommendations. But the document suggests banks should receive credit for loans to a wider range of low- and moderate-income communities, not just those where they have branches. It also calls for clearer, less subjective measures of a bank's performance under CRA, which is aimed at encouraging lending to poorer borrowers.

STUDENT LOANS AND FOR-PROFIT COLLEGES

This is the worst financial mistake a grandparent can make | Washington Post
When you co-sign for a student loan, you are not the backup borrower. You are on the line for the entire loan balance should your grandchild not pay.

Older Americans now carry an unprecedented amount of student loan debt into retirement, according to a report released last year by the Consumer Financial Protection Bureau (CFPB). Over the past decade, the number of older student loan borrowers has quadrupled.

It Oversaw For-Profit Colleges That Imploded. Now It Seeks a Comeback. | NY Times
The Accrediting Council for Independent Colleges and Schools was stripped of its powers in December 2016 amid the collapse of two for-profit university chains, where tens of thousands of students were encouraged to take on hundreds of millions in debt based on false promises, including jobs after graduation.

Now, that same accrediting council is asking to be reinstated by the Trump administration as a federal gatekeeper for hundreds of degree-granting programs and billions of dollars in federal funds.

See AFR letter to Department of Education

Student loan servicer asks court to settle spat between Education Dept. and Connecticut over licensing dispute | Washington Post

SYSTEMIC RISK

FSOC to continue Prudential's annual SIFI review on April 12 | PoliticoPro

OTHER TOPICS

Pawlenty formally announces candidacy for Minnesota governor | PoliticoPro
Pawlenty had already set up a campaign website and hosted a fundraiser in Florida, as well as a gathering in Minnesota, as he explored running for governor again. He left office in 2011 after serving two terms. Pawlenty recently stepped down as CEO of the Financial Services Roundtable, a banking advocacy group in Washington.

The Fuel Powering Corporate America: $2.4 Trillion in Private Fundraising | Wall St. Journal
It was a mark of the dramatic rise of private capital markets, which have leapfrogged public markets to become the most popular way for companies to raise money in the U.S., a phenomenon that in some ways is changing the very way companies run and operate.

With little information disclosed about money raised privately, including the identity of investors, it is difficult to get a clear picture of what's happening in these markets. An analysis by The Wall Street Journal found they have more than doubled in size over the past decade, surpassing the growth of public stocks and bonds available to all investors.

There's nothing 'fair' about judges tipping the scales in favor of federal agencies | The Hill (Mark Holden)
While it's true that executive branch agencies apply expertise to carry out the objectives delegated to them by Congress, sometimes they don't. In fact, sometimes they assume power that goes far beyond what Congress intended they should have. That's when we need judges to step in and uphold the law as written.

Sadly, the courts act under the doctrine known as “Chevron deference,” which requires judges to defer to reasonable agency interpretations of ambiguous statutes on the theory that agencies have more expertise than judges on the issues at hand.

Judges Can Check the Administrative State | Wall St. Journal (Peter J. Wallison)